

CABINET



Report subject	Management & development of leisure centres
Meeting date	14 April 2021
Status	Public (contains confidential appendices)
Executive summary	The Council has made a corporate commitment to increase leisure provision and help people participate and lead more active and healthy lives. To support this commitment, the report makes recommendations regarding the management & development of leisure centre facilities including: the provision of a short-term management contract with Everyone Active in Poole; the development of a new £1m synthetic turf pitch at Rossmore Leisure Centre; and BH Live's Business Plan.
Recommendations	That Cabinet RECOMMENDS to Council the; (a) Approval of a new short-term management contract for leisure centres in Poole with current operator Everyone Active in accordance with confidential Appendix 1; (b) Approves £0.7m prudential borrowing to support the total £1.2m cost of developing a new Synthetic Turf Pitch (STP) at Rossmore Leisure Centre (subject to planning approval & grant funding) and the replacement of the existing pitch carpet at Two Riversmeet Leisure Centre, in accordance with the finance plan in Appendix 3; (c) Notes that the Rossmore STP scheme is expected to be supported by up to £0.5m grant funding from the Football Foundation and other third parties; (d) Delegation to the Service Director for Destination & Culture and the Director of Finance (S151 Officer), in consultation with the Portfolio Holder for Tourism, Leisure & Culture, to finalise the details and related funding arrangements for (1) and (2); and (e) Note BH Live's Business Plan for 2021/22.
Reasons for recommendations	1. Delivery of the Council's corporate commitment to increase leisure provision and help people participate and lead more active and healthy lives. 2. The unprecedented impact of COVID-19 on the Council and

	its leisure partners. 3. To address a strategic need for Synthetic Turf Pitch provision, meet customer demand, enhance service provision at Rossmore LC and resolve a maintenance issue at Two Riversmeet LC. 4. Delivery of the Council's Built Sports Facilities and Playing Pitch Strategies with significant financial support from sports charity, the Football Foundation.
Portfolio Holder(s):	Portfolio Holder for Tourism, Leisure and Culture, Councillor Mohan Iyengar
Corporate Director	Kate Ryan – Corporate Director
Report Author	Anthony Rogers – Head of Leisure
Wards	All Wards
Classification	For Decision

1. Background

1.1 The Council has made a corporate commitment to increase leisure provision and help people participate and lead more active and healthy lives (see Corporate Strategy - background papers). It supports many different types of facilities, services, activities and events to enable this in formal and informal settings.

1.2 In general, activity levels amongst BCP's 400,000 residents meet the UK average however, the 2020 Sport England Active Lives survey identified that up to 25% of our residents are in-active, doing less than 30mins of activity each week. Public leisure centres make a significant contribution to enabling active healthy lifestyles with sport & physical activity having a positive impact on people through improved physical and mental wellbeing, educational attainment, social cohesion and economic development. A recent study by UK Active shows estimates that public leisure facilities contribute nationally over £3.3bn in social value.

1.3 Management

1.3.1 The Council owns eight public leisure centres which form a vital part of the sports and leisure infrastructure in the area and there are various management models and operators across these facilities:

- Two Riversmeet Leisure Centre in Christchurch (2RM) is managed internally by the Council's Leisure Service
- BH Live manage facilities in Bournemouth (Littledown, Pelhams and Stokewood – lease end 2035)
- Everyone Active manage facilities in Poole (Rossmore, Dolphin and Ashdown – lease end 2021) and
- Bournemouth YMCA manage The Junction in Broadstone (lease end 2068) respectively.

- 1.3.2 COVID-19 has had a severe impact on the leisure sector and whilst industry estimates vary, full business recovery to pre-COVID levels could take 1-2 years. As a result, the Council is providing significant financial support to its contractors and a review of management arrangements for BCP leisure centres (see background papers - Cabinet Jan 2020) has been postponed whilst the market stabilises and will be undertaken as soon as possible during 21/22. The review will explore the options for leisure centres to: contribute to a wider vision for sports & leisure; generate capital investment to improve facilities and enable revenue savings; provide a service that integrates with health & wellbeing through prevention at scale generating longer term savings elsewhere for the Council.
- 1.3.3 The contract with Everyone Active (EA), which started in 2006 is due to end on 31st May 2021. To allow time to undertake the review and implement its findings, a short-term management contract with EA is required. EA is the trading name for Sports & Leisure Management Ltd and they manage other leisure facilities within the region including Blandford, Weymouth, Fareham, Hamble, Slough, Taunton and Bristol. BCP Council also has leases for leisure and cultural provision with BH Live, YMCA, Poole Lighthouse and Hampshire Cultural Trust.
- 1.3.4 BH Live's 'Business Plan' 2021/22 (Appendix 2), is presented for information and identifies the key challenges and opportunities in the year/s ahead as the business seeks to recover from the effects of the global pandemic.

1.4 Development

- 1.4.1 There are a range of development opportunities and maintenance issues within the Councils leisure centres and it is anticipated that reports will be brought to future Cabinet and Council meetings as appropriate setting out proposals to address these at individual sites.
- 1.4.2 The recently adopted Playing Pitch Strategy (PPS) highlights a shortage of local accessible Synthetic Turf Pitches (STPs) and the development at Rossmore Leisure Centre and replacement carpet at 2RM provides an opportunity to meet some of the shortfall as well as maintaining the current supply.
- 1.4.3 Detailed feasibility work started in 2019 and has been undertaken by the Football Foundation (FF), a sporting charity that helps communities improve their local football facilities in partnership with the Premier League and the Football Association. The project presents an opportunity for a significant service enhancement as part of the Councils Big Plan, at a major leisure facility/hub in an area of deprivation. A publicly accessible STP will provide BCP residents with access to a high-quality facility through community sports provision and support education use by the adjacent St Aldhelm's Academy and local schools. The proposal is supported by the Football Foundation (FF), Dorset County Football Association (DCFA), St Aldhelm's Academy, local football clubs and the Ward Councillors.
- 1.4.4 The 2RM STP carpet was installed in 2009 with a 10 year life expectancy. The biannual FA quality inspection in 2018 advised the carpet would require replacement within 18-24 months. Failure to ascertain the FA inspection certificate would mean 2RM would not be able to host FA accredited competitions resulting in

a loss of revenue. Further decline in facility quality will incur business defamation resulting in loss of general hire revenue.

2. Information and Options

2.1 Management - Leisure Centres in Poole

It is proposed that the Council enters a new short-term contract of up to 3yrs with Everyone Active, whilst it undertakes a wider review of the options for longer term management arrangements. The terms outlined in confidential Appendix 1 aim to: balance the uncertainties around future trading and market conditions; seek value for money & reduce the risks to the Council; and incentivise the operators.

Subject to Council approval, the direct award (with negotiations) of a new short-term contract could be made under procurement regulations which would enable the continuation of the service whilst the leisure market recovers. This approach also supports the Local Government Associations' recommendations for contract management following the COVID outbreak (see background papers).

2.1.1 Other options considered and discounted:

- a. Alternative options for contract terms, please see confidential Appendix 1.
- b. Change of operator – would be subject to an open market tender exercise which is not proposed due to the timeline and current market conditions/uncertainties resulting from COVID. Should the wider review of management recommend a longer-term contract for the Poole and/or Christchurch sites, then potentially the operators could also change twice within in a short period of time with associated service, financial and reputational issues for the Council.
- c. Management of the facilities in-house has been discounted due to the potential costs which include:
 - Increased salary & on-costs after TUPE approx. £200k/yr due to pensions
 - Significant additional business rates at £265k/yr.
 - Increased risk of 5% VAT partial exemption threshold being breached which could cost the Council £1.8m.
 - Organisational upheaval which may be repeated if the facilities are externalised following the wider review.
 - Facility maintenance (internal) becomes Council liability.
 - Loss of Everyone Actives economies of scale.

2.1.2 Summary of Financial Implications - See confidential Appendix 1.

2.2 Development – New Synthetic Turf Pitch (STP) at Rossmore Leisure Centre and replacement pitch carpet at Two Riversmeet Leisure Centre

A range of sites in Poole were considered for the new STP including Learoyd Road and Ashdown Leisure Centre. Rossmore Leisure Centre was considered the most appropriate for the following reasons:

- New STP would complement the existing site facilities
- Management vehicle already in place for the leisure centre

- Supported by St Aldhelm's Academy who currently control the land proposed for the development
- Does not constrain future potential development options
- The proposal attracts substantial external investment. Prudential borrowing will also be required as part funding towards the development, to be repaid from the new net additional income generated

2.2.1 The proposed layout of the STP is illustrated in Appendix 3b together with example images. It is a full-sized artificial pitch with a carpet and rubber crumb infill, surrounded by fencing with floodlights. The pitch can be divided and will be marked out for all levels of football. All equipment required for on-going maintenance will be supplied.

2.2.2 Rossmore Leisure Centre is a busy centre with over 600,000 annual visitors and additional car parking spaces and cycle storage facilities are being considered to accommodate additional visits to the STP. The leisure centre will promote the facility, manage bookings and maintain it to the required specification along with the other specialised facilities at this site. The Academy would have exclusive day time use on Academy days (Mon-Fri) and the community will have access from 5pm and at weekends and holidays, in line with the current joint use agreement.

2.2.3 A recent consultation with local football clubs has shown that there is strong local demand which supports the strategic need identified and provides reassurance regarding future occupancy and take-up.

2.2.4 Development Timeline

Action	Date
Project feasibility	Completed
BCP Cabinet/Council approved Playing Pitch Strategy	Completed
Consideration by BCP Cabinet/Council	April/May 21
Progression subject to approval:	
Instruct FF tender procurement (design/planning/construction)	June 21
STP carpet replaced at Two Riversmeet	December 21
FF Grant Application submission	January 22
FF Grant Panel award decision	April 22
Mobilisation and construction	June 22
Construction completed	September 22
Opening	Autumn 22

2.2.5 Summary of Financial Implications

Capital outlay and income projections

- 1) A summary of the key financial implications of the provision of a new synthetic turf pitch (STP) at Rossmore Leisure Centre and replacement pitch carpet at Two Riversmeet Leisure Centre is provided in **Appendix 3a**. If approved, the Council will invest £1.2m into leisure centre pitches in Poole and Christchurch, utilising £475k of external funding and £727k of new prudential borrowing.
- 2) £1.1m Rossmore Leisure Centre cost estimates are largely based on a site specific feasibility report undertaken by the Football Foundation and the Council's Transportation Service. They include provision of a new STP and lighting, as well as new car parking and cycle facilities. Appropriate allowance is also made for professional fees, surveys, investigations and contingency. Capital works will be undertaken by a Football Foundation approved contractor, using a Design & Build framework. The £0.1m estimate for replacement pitch carpet at Two Riversmeet Leisure Centre (which has reached life expiry) is also based on independent cost estimates.
- 3) Rossmore development work will not commence until third party funding is confirmed (and where relevant supported by appropriate funding agreements). This includes confirmation of final Football Foundation grant (£425k currently assumed) and other third-party contributions. BCP and St Aldhelm's Academy are working together to attract third party funding (£50k currently assumed).
- 4) Financial viability of the £1.2m has been assessed over a 20 year period, which is the estimated useful life of the Rossmore STP. It forecasts new net pitch hire income from the Rossmore STP over 20 years and estimates are based on comparative data at other local sites. They are cautious estimates that focus on pitch hire income only and increase with Bank of England target CPI of 2% only each year. No allowance is made for potential consequential increases in non-pitch hire income (for example food & beverage and gym membership) at Rossmore Leisure Centre.
- 5) No adjustment is made within the financial viability model for income at Two Riversmeet Leisure Centre where the replacement pitch carpet will safeguard existing (rather than generate new) income of between £80k and £100k per annum, which is at risk should the carpet not be replaced. Carpet replacement is assumed to take place over two weeks in winter – and is therefore expected to have a modest impact of around £5k on income generation at the site.
- 6) Additional operational expenses including site management (leisure centre operator), insurance, general maintenance, cyclical site inspections, annual rubber crumb top-up, and utilities have been allowed for within financial modelling - with annual spend also increasing by 2% inflation per annum.
- 7) The Rossmore STP will have an estimated useful economic life of 20 years. The Football Foundation require a £25k/yr provision to be made for carpet replacements, which is anticipated every 10 years. It may be possible to extend the life of the surface beyond this depending on the type of use and maintenance programme. The fencing and LED lights are predicted to last 20 yrs and at the end of its useful life a new business case may be required for the replacement of these assets.

Financial viability

- 8) Around (£2.1m) additional pitch hire income is forecast over the 20 year life of the new pitch. This reduces to a net overall surplus of (£0.23m) over the 20 year period after operational expenses, replacement of pitch at year 10 and repayment of prudential borrowing.
- 9) Prudential borrowing is assumed to be repaid over 20 years, reflecting assumed lifespan of the main asset. As the Council has prior experience of STP's, the low rate BCP Invest to Save rate of 3% has been applied. This has the benefit of creating additional 'risk premium' of £77k within the financial viability assessment. Risk premium is the difference between Invest to Save rate of 3% and current PWLB 20 year borrowing rate of 2.13% (PWLB published rates 2 March 2021). Should the Council choose to exclude any risk premium allowance, the overall 20 year net surplus increases from (£0.23m) to (£0.31m). Borrowing costs will be factored into the MTFP once business case is approved.
- 10) New pitch hire income from Rossmore is anticipated from 2022/23. Six months of income has been assumed in 2022/23, increasing to full year in 2023/24. Borrowing repayments commence in 2023/24, the year after capital spend is incurred. This means a modest net surplus of (£23k) is forecast over the period of the MTFP, consisting of (£24k) surplus in 2022/23 and £1k pressure in 2023/24. Repayment of prudential borrowing at 3% means additional net revenue pressure of £4k in 2024/25 and £1k in 2025/26 is anticipated, with ongoing annual net surplus from 2026/27. The new revenue pressures are comparatively small and will be managed within existing leisure revenue budgets. Similarly lost income of £5k from Two Riversmeet pitch carpet replacement will also be managed from within leisure service unit budgets.

Projected Cashflow Summary	£k
Net surplus over 3 year MTFP (2021/22 to 2023/24)	(22.6)
Net surplus years 4 - 10 (2024/25 to 2031/32)	(15.4)
Net surplus to BCP for years 11 - 20 (2033/34 to 2042/43)	(194.8)
Net 20 year surplus - including Risk Premium	(232.8)
Risk Premium (difference between Invest to Save rate 3% and PWLB)	76.9
Net 20 year surplus - without Risk Premium	(309.7)

Financial risks

- 11) The primary purpose of the £1.2m proposed capital investment is to invest in infrastructure required to meet BCP strategic priorities. Income generation is a secondary outcome. PWLB borrowing for the project is therefore permissible under HM Treasury guidance.
- 12) Capital outlay remains an estimate until planning permission is granted and works are tendered. In the event of final costs exceeding current estimates the Council would seek further external funding from the Football Foundation, seek CIL funding, or potentially increase prudential borrowing allocated to the scheme.

- 13) Appropriate accounting and governance processes will need to be established to ensure that all pitch hire from Rossmore Leisure Centre is transferred to BCP (and not leisure centre operator).
- 14) Legal agreements will need to be in place with regard to Football Foundation funding and Academy use of and responsibilities in relation to the pitch.
- 15) The business case considers the first 20 years of the asset only. A fresh business case for replacement of e.g. fencing and lighting, is likely to be required in 20 years time.

Value for Money

- 16) As well as non-financial benefits of installation, pitch hire income forecast over the life of the new pitch is sufficient to cover capital outlay and annual operational expenditure.
- 17) All works will be appropriately tendered / frameworks used in accordance with BCP procurement processes.

VAT implications

- 18) The project has been reviewed from VAT perspective and no immediate risks have been identified. Assuming the lease agreement with Everyone Active is not substantially altered and it remains in line with the approved HMRC model, all VAT incurred on capital works at the Poole Leisure Centre will be fully reclaimable. It is recommended the contract is reviewed from a tax perspective before it is finalised to ensure the VAT position is not affected.
- 19) The proposed works at the Two Riversmeet Leisure Centre are directly attributed to a taxable supply of sport services which means that all VAT incurred will also be fully reclaimable.

3.0 Summary of Legal Implications

3.1 Provision of leisure centres is not a statutory duty however, there are specific risks to wider council-led priorities and delivery of statutory duties which are reliant on leisure facilities. For example, upper tier and unitary councils have a statutory duty for public health. This includes the improvement of the local population's health by contributing to healthier lifestyles and mental wellbeing and reducing health inequalities, obesity rates and physical inactivity.

3.2 The Council will need to enter a new short-term agreement with Everyone Active. The form of contract will be determined by the officers in the legal and procurement services but is likely to contain similar contractual provisions to the current agreement.

3.3 BCP will need to enter into a legal agreement with the FF to secure the grant for the new STP. The fields are leased for education use and the Council and St Aldhelm's Academy will need to enter into a deed of partial surrender to cover the change in leased area (subject to approval by the Secretary of State). A Joint Use Agreement (JUA) between BCP and St Aldhelm's enables Academy access to sports facilities which would need to be updated to reflect the addition of a new STP.

4.0 Summary of Human Resources Implications

4.1 Everyone Active employ over 300 staff within the BCP area representing over 90 full time equivalent jobs. Currently most staff are furloughed under the government's job retention scheme.

4.2 The new STP at Rossmore LC would be managed by the leisure centre operator. Project management through construction to handover will be overseen by Officers in D&C and Property Services.

5.0 Summary of Sustainability Impact

5.1 The new STP at Rossmore LC would be built using the approved framework design from the FF. The floodlights will be LED and the rubber crumb is made from recycled rubber . The design includes a containment barrier around the pitch to ensure any infill within it is contained. There are also boot cleaning stations and decontamination gates/grates to mitigate any infill migrating outside of the controlled zone.

6.0 Summary of Public Health Implications

6.1 The facilities and services provide at leisure centres form a vital part of the BCP areas leisure, sports and cultural infrastructure and support the strategic priorities of the Council. They enable residents and visitors to lead active healthy & enriched lifestyles, participate in a wide range of activities and play a key role through direct initiatives such as exercise referral schemes. As such, any changes to provision can have implications on public health and well-being which should be considered as part of decision making.

7.0 Summary of Equality Implications

7.1 There are no equality implications directly linked to the decision for a new short-term arrangement for sites in Poole with current operators Everyone Active however, the facilities and services they operate provide a wide range of services which are accessible to all equality groups, who would be significantly impacted should the service be interrupted or the facilities close.

7.2 We have considered the current and future users of the facilities (loss of grass pitch and future STP) particularly in relation to the protected characteristics groups and can mitigate the negative impacts and promote a series of benefits in relation to the development of the STP – please see the Equalities Impact Assessment in Appendix 3.c. Mitigation includes assistance with appropriate footwear via the Academy or Kids Initiative Charity, availability of alternative grass pitches and different access arrangement to play football via the partner football club sessions or Academy.

7.3 There are a number of benefits from this development which would assist the protected groups primarily a quality, safe, managed, enclosed, all weather and floodlight environment to exercise within, particularly benefiting women and girls, those with special needs and those on low incomes. The new STP facility will be available to all, through community and club bookings. During term time the Academy will have access for its students for education use.

8.0 Summary of Risk Assessment

8.1 In awarding a new short-term contract to EA, the Council will ensure continued service with minimum disruption and upheaval across the three well utilised Poole leisure facilities. This allows the Council to focus its resources on the wider review of leisure centre management. Should the facilities return to being managed in-house there are likely to be financial risks and organisational burden.

8.2 Potential Risks to the STP project Include:

Risk	Action	Rating
Planning permission refused	Pre app advice being sought	Low
FF grant declined	Project developed in partnership with FF in one of their priority areas	Low
Other external funding not forthcoming	Prudential borrowing level could be reviewed subject to business plan	Medium
Secretary of State refuses change of lease line	A joint application could be made to FF, seek further legal advice	Low
Rental income not forthcoming	Current facilities are oversubscribed, consultation undertaken, forecasts are cautious	Low

Background Papers

UK Active - Physical Activity: A Social Solution 2017 LINK:

<https://www.ukactive.com/news/public-leisure-generates-over-3-3bn-in-social-value-to-the-uk/>

Cabinet minutes 12th February 2021 - Corporate Strategy: Revised Delivery Plans – Fulfilled Lives) LINK:

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=4260&Ver=4>

BCP Playing Pitch Strategy LINK:

<https://democracy.bcpccouncil.gov.uk/documents/s20356/Enc.%201%20for%20Playing%20Pitch%20Strategy%202020%20-%20202033.pdf>

BCP Local Facility Football Plan LINK:

<https://localplans.footballfoundation.org.uk/local-authorities-index/bournemouth-christchurch-and-poole/bournemouth-christchurch-and-poole-local-football-facility-plan/>

Cabinet minutes 15th January 2020 - Review of Leisure Centre Management

LINK:

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=3725&Ver=4>

LGA Guidance - "Options for councils in supporting leisure providers through COVID-19" (April 2020) LINK:

<https://www.local.gov.uk/sites/default/files/documents/Options%20for%20councils%20in%20supporting%20leisure%20providers%20through%20COVID-19%20WEB.pdf>

Appendices

CONFIDENTIAL

Appendix 1: Management of Leisure Centres in Poole: Short-term contract proposal
Inc. Max Associates review of SLM's contract extension proposals

Appendix 2: BH Live's Business Plan 2021/22

PUBLIC

Appendix 3: Rossmore Leisure Centre Synthetic Turf Pitch and Two Riversmeet
Leisure Centre replacement pitch carpet

- a. Financial Business Plan
- b. Proposed layout and imagery
- c. Equalities Impact Assessment