

OVERVIEW AND SCRUTINY BOARD

11 NOVEMBER 2014

FINAL REPORT OF THE COMMUNITY SAFETY AND LEISURE SCRUTINY PANEL

ALTERNATIVE DELIVERY MODEL - SPORT AND LEISURE SERVICES

PURPOSE OF THE REPORT

1. To present the findings of the Community Safety and Leisure Scrutiny Panel's review on the topic of the future operating model for the delivery of Middlesbrough's sport and leisure services.

AIM OF THE SCRUTINY INVESTIGATION

2. The overall aim of the scrutiny investigation was to consider the various options for an alternative management model for the delivery of sport and leisure services and to express a view on the proposals.

TERMS OF REFERENCE OF THE SCRUTINY INVESTIGATION

3. The panel is keen to have an input into the Change Programme and acknowledges that the timescales are tight as this review has had to fit in with the Change Programme timetable. A number of areas have been identified as of interest to the panel in undertaking this review including:
 - The current position regarding the proposed future service delivery model for sport and leisure services in Middlesbrough.
 - What lessons the Council can learn from neighbouring local authorities with experience of implementing alternative models of management.
 - The progress to date with the development of the new iconic Middlesbrough's Sports Village at Prissick and potential impact on other sport and leisure facilities across the town.

METHODS OF INVESTIGATION

4. Members of the Panel met formally on 16 July, 17 August, 24 September and 5 November to discuss/receive evidence relating to this investigation and a detailed record of the topics discussed at the meetings is available from the Committee Management System (COMMIS), accessible via the Council's website.

MEMBERSHIP OF THE PANEL

5. The membership of the Panel was as detailed below:

Councillor F McIntyre (Chair), Councillor P Purvis (Vice Chair), Councillors S Biswas, D Davison, B A Hubbard, M Hudson, R Lowes and H Rehman.

BACKGROUND INFORMATION

1. Over the last two years the Community Safety and Leisure Scrutiny Panel has received a substantial amount of information relating to Middlesbrough's current sport and leisure offer. In November 2012 the Executive Member for Public Health and Sport advised the Panel that the "current budget position in Middlesbrough has led to consideration of a Trust for leisure services." In August 2013, the panel was informed that the Council was considering options of how to maintain the current standard and offer of delivery of sport and leisure services, whilst reducing the £3.4million subsidy.
2. In March 2014 the future operating model for the delivery of Middlesbrough's sport and leisure offer was identified as a big ticket item in the Council's Change Programme. The big ticket items represent an initial view of the significant changes to current council delivery models that will be required between 2015 and 2017. It is evident that given the unprecedented public spending cuts facing the local authority there will be fundamental changes to the way in which the Council operates in the future.
3. At the panel's meeting in June 2014 the Assistant Director for Environment, Property and Commercial Services informed Members that the options appraisal process for the future service delivery model for sport and leisure services had commenced with assistance from Max Associates. Max Associates is a company specialising in providing assistance to local authorities which are considering alternative delivery models. At that stage the panel was advised that the four options available were:
 - Reconfiguration and re-provision of existing services.
 - Establish a locally based Trust.
 - Procure an existing Trust (perhaps work with other Councils).
 - Community Asset Transfer for leisure facilities.
4. The panel is aware that as the use of alternative management models for leisure services has grown the number of local authorities providing leisure services

directly has fallen dramatically. It is now estimated that less than 50 per cent of local authorities still manage leisure services directly.

5. In respect of the various forms of alternative leisure management provision a 2006 report by the Audit Commission did not clearly identify any one management model as offering better value for money, more investment or higher levels of usage. However, it did find that in-house services tend to be significantly more expensive than the alternative externalised options and this was becoming more marked over time. The Audit Commission report also concluded that in most instances only market testing services through competitive tendering will ensure that potential efficiency savings and service improvements can be realised.
6. When considering the advantages / disadvantages of the various models the research also indicates that the choice of which model to pursue is largely dictated by a number of interrelated factors. These are the savings required, market conditions, influence and control, support costs, economies of scale and in house capacity. It is stated that the level of savings required is probably the most important factor influencing the choice of management model. The research highlights that outsourcing to either a private sector operator or an existing Trust should deliver the most financial benefits for a local authority, largely due to the combined benefits of tax savings, economies of scale, lower support costs and the use of competitive tendering.
7. In the Tees Valley a mixture of alternative delivery models is in operation. Redcar & Cleveland have procured SLM under the brand Everyone Active and Tees Active Limited, an independent leisure trust, operate in Stockton. Hartlepool and Darlington are in the process of considering the various options and there is currently a lot of discussion and debate in local authorities across the country about the future management of leisure services.

THE CURRENT POSITION REGARDING THE PROPOSED FUTURE SERVICE DELIVERY MODEL FOR SPORT AND LEISURE SERVICES IN MIDDLESBROUGH

8. On 18 July 2014 a stakeholder event was held in Middlesbrough in order for key stakeholders to consider the proposed options appraisal criteria and examine the scope of facilities for delivery via an alternative management model. The Executive Member for Environment, the Chair of Overview and Scrutiny Board and a Member of the Community Safety and Leisure Scrutiny Panel were in attendance, as well as representatives from Sport England, Teesside University and the Council's sport and leisure service.
9. It was advised that the following leisure facilities are currently included in the project scope: Middlesbrough's Sports Village at Prissick, the Rainbow Leisure Centre, the Southlands Centre, the Neptune Centre and the Golf Centre.
10. In respect of Hemlington Recreation Centre it was advised that the centre was taken out of the scope, as the facility was considered a couple of years ago and it was felt that the way in which the centre operates makes it more suited to a Community Asset Transfer (CAT) or for the centre to remain with the Council. Sports Development is also not included at present but it is possible that this could change as the process goes on.

11. Members of the panel have previously expressed concerns in relation to the possible impact that Trust status could have on the Council particularly in respect of limiting the Council's flexibility with regard to management and control of the Trust, as well as in relation to the Council's assets.
12. With regard to influence and control research indicates that an authority seeking to maximise its influence over how an externalised leisure operator manages and delivers services will favour the creation of a Local Trust. However the scale of influence and control is likely to have a significant bearing on the effectiveness of the Trust and savings it can deliver. It is likely to be more efficient if an authority sought to influence and control services through outcome based contracting via an outsourcing.
13. It was advised at the stakeholder event that if the Council did opt to establish a Local Trust or procure an Existing Trust it would not be a case of transferring the Council's assets. The Council would provide a lease, potentially for 10 years, and the assets would remain the property of the Council. Employees would transfer over under TUPE.
14. In relation to the option of Community Asset Transfer of leisure services it was advised that although nationally a number of Council's are considering this option as an alternative delivery model for leisure services it would involve a much longer lease (generally 99 years). Given that Middlesbrough Council has invested significant capital resources in the new Middlesbrough's Sports Village it is not felt that this is an option the Council would want to consider.
15. In terms of the net cost of sport and leisure services to the Council it was advised that in 2013/2014 this figure was £3,365,333 – this represents a snap shot in time. The panel has since been informed that the estimated subsidy for sport and leisure services in 2014/2015 is £2,386,624, after budget savings totalling £804,000 for 2014/2015 have been removed.¹
16. It was noted that the Council is now at the point of reaching a decision about which alternative delivery model is best placed to meet the Council's nine strategic outcomes, and everyone is keen to ensure that the model adopted is the right delivery vehicle for Middlesbrough.

Options appraisal evaluation criteria

17. In advance of the stakeholder event Max Associates produced a set of draft evaluation criteria and gave each of the criteria a weighting and a relative importance factor based on the Council's nine strategic objectives and the Mayor's 20/20 vision for the town. The criteria and weighting factors were reviewed at the event, as well as by the Change Programme Transformation Board.
18. The panel was subsequently requested to consider the revised criteria and suggest any further changes or additions to the criteria. Following the stakeholder event the

¹ The total estimated subsidy for 2014/15 includes central support service costs (HR, payroll, finance, ICT, building cleaning etc) of £652,889 based on 2013/14 actuals, property running costs of £1,207,735 based on 2013/14 actuals and £526,000 from the revenue budget (expenditure £3,628,100 – income £3,102,100).

panel was also advised that the option appraisal would evaluate the following management options:

- Re-configuration of in-House provision.
 - Establish a Local Trust to provide the service.
 - Procure the service from an established Trust.
19. Once completed, the option appraisal would be shared for validation by the Leisure Management Project Group and the recommended option would then be considered by the Change Programme Board and Executive.
 20. The Assistant Director Environment, Property and Commercial Services has since advised that following the options appraisal, a decision was taken by the Change Programme Board for the service to proceed to the Pre-Qualification Questionnaire (PQQ) stage of the procurement process. A report on the ADM for Sport and Leisure Services is also scheduled to be considered by the Executive on 9 December 2014.
 21. During discussions in respect of the draft evaluation criteria concern was raised about item six which related to the protection of staffing terms and conditions. The view was expressed that staff members are critical to the delivery of leisure services but under TUPE a company can issue its intent to change conditions of those contracted across on the very first day of transfer, and the changes will be implemented after three months. It was therefore questioned as to the degree of protection that is offered to staff under TUPE.
 22. It was noted that similar concerns had been raised by both Members and staff at Redcar and Cleveland Borough Council prior to, as well as following the procurement of SLM to manage the Council's leisure facilities. However, the majority of staff members are in a similar role to their previous posts and even the most sceptical members of staff have expressed the view that they are happy and content with the transfer. SLM has also established an apprenticeship programme which has led to full time appointments. The Development Activities Manager informed the panel that Middlesbrough Council currently provides an apprenticeship programme in sport and leisure services and that full time posts are offered where appropriate.
 23. The Assistant Director Environment, Property and Commercial Services has informed the panel that the initial options appraisal was carried out based upon the criteria agreed through this process and recommended going to the market for future provision. The Change Programme Board has since agreed a standard set of seven evaluation criteria and weightings for all future ADM work across the Council. The leisure services appraisal has now also been cross referenced to the corporate evaluation criteria and the preferred option remains the same.
 24. In relation to the Council's stated aim of reducing the current subsidy for sport and leisure services Members of the panel requested details of the anticipated savings under each of the proposed models. It was advised that whilst some work has been carried out on the options appraisal unfortunately details of the projected savings were not yet available. The expectation would be to reduce the subsidy as much as

possible with the aim of sport and leisure services becoming self-sustaining in the future. In terms of the savings achieved by Redcar and Cleveland Borough Council, the contract with SLM has resulted in savings of £400,000 per annum, which represents a 33 per cent saving on Redcar & Cleveland's previous operating costs.

25. It was noted that work is ongoing with Max Associates to establish the sport and leisure services full budget costs for 2014/15, as the department needs to be absolutely clear about where the budget will be at the end of this financial year. It will then be much easier to make projections about how much may potentially be saved in the future. It was advised that the department is very close to arriving at those costs. The projected delivery costs for the new Middlesbrough Sports Village will also need to be factored in.
26. The panel has subsequently been advised that the aforementioned work has been undertaken and the projected income targets and key costs involved in the delivery of the new Sports Village have been calculated. It is anticipated that in year 1 the Council subsidy for the new Sports Village will be £380,000 taking into account both income and property running costs.
27. It was noted that targets have been set for attracting new gym memberships at the Sports Village and the service is confident that these targets can be achieved. The service has also considered how the opening of the Sports Village will impact on other venues across the town. The Sport and Leisure Operations Manager advised that the opening of the Sports Village will have minimum impact on the town's other leisure venues. The facilities on offer at the Sports Village are designed to enhance Middlesbrough's overall sport and leisure provision.
28. It was advised that the total projected budget position for the sport and leisure service for 2015/2016 is approximately £2million including revenue budgets, property running costs and utility costs. However, the Council's aim, as set out in the Change Programme, is for the sport and leisure service to operate at a nil subsidy by 2017.
29. A Member of the panel made reference to the capital investment costs and it was queried as whether the responsibility for those costs would remain with the Council if the option to procure an external Trust was chosen. It was advised that this would essentially depend on how the contract is formalised and that the competitive dialogue process is particularly important. The panel expressed the view that the contract specifications would be of the utmost importance in securing the best outcome for the Council.
30. The panel was also advised that if the option to procure an Existing Trust was put forward as the recommended option the specification for the contract would need to be robust and deliver what the Council wanted in terms of service. The Council would need to monitor the contract carefully to ensure that the contract was adhered to.
31. The question was also posed by the panel as to whether the Council would be obliged to financially bail out an Established Trust if it ran into difficulties. The Council's Strategic Commissioning and Procurement Officer advised that this issue would be picked up as part of any competitive dialogue process but that an

Established Trust would be backed by guarantors. This issue would also be addressed as part of any formal contract agreement.

32. An observer at the meeting expressed the view that it is always with regret when the delivery of a Council service is considered for delivery by an external organisation, as it effectively diminishes the powers of democratic accountability. The point, however, was also made by a Member of the panel that from a customer's perspective the quality of the service on offer is more important to the user than the organisation responsible for delivering that service.
33. Reference was made to Middlesbrough's current leisure facilities and the Development Activities Manager advised the panel that the sport and leisure service has worked extremely hard to reduce the Council's financial subsidy and increase income. The Neptune and Rainbow Centre have both benefited from recent capital investment, £35,000 has been spent on the gym refurbishment and new equipment at the Neptune Centre and £295,000 has been invested at the Rainbow Centre to improve the quality of the venues and increase visitor numbers.
34. Reference was made by the Development Activities Manager to the various alternative delivery models adopted by Stockton and Redcar and Cleveland Borough Council and the view was expressed that Stockton has a very positive working relationship with Tees Active Leisure (TAL) and as a result that partnership is very successful. The majority of TAL's income is also Stockton based and is for the benefit of Stockton residents.
35. In comparison Redcar and Cleveland Borough Council experienced a very difficult relationship with Tees Valley Leisure. A private sector operator has since secured the contract to deliver leisure services and has implemented changes quickly and effectively. The caveat of observing how effective these changes will be over a longer period was raised, as the contract has only been in place for a relatively short period.
36. The Development Activities Manager informed the panel that the sport and leisure service is also very aware of the areas of provision that generate high levels of income e.g. gym memberships and swimming lessons. However, the sport and leisure service use that high level income to deliver health intervention work. If that work is not undertaken by the service there would be a financial cost picked up elsewhere, either by the local authority or other public sector bodies in the town. The panel has previously been advised that many of the customers who use the Council's sport and leisure service are from lower income groups, who generally suffer from poorer health, for example, in 2012, 70% of gym users qualified for reduced price concessions.
37. The provision of diversionary activities for young people is another area of work undertaken by the sport and leisure service, which again is not income driven but is of benefit to the town.
38. The Sport and Leisure Operations Manager informed the panel that over the last three years the service has successfully reduced its costs by £1.5m and in 2013/14 participation levels in sport and activity in Middlesbrough were for the first time above the national average. Approximately five years ago the budget subsidy

(excluding property and central support costs) was £2.1 million. This year, the subsidy (excluding those costs) is just under £600,000.

39. The panel is mindful of the fact that the central support costs and property management costs for 2014/15 represent a significant proportion of the projected £2.4m financial subsidy (£652,889 and £1,207,735 respectively - based on 2013/14 actuals). Research indicates that when considering alternative delivery models the willingness and ability to realise savings in support costs will also have a significant bearing on the scale of savings possible. Support services represent a significant cost to leisure and if this cost can be saved through externalisation then this would favour outsourcing, as private and existing trusts have much lower support costs.
40. It is important to note that the total savings identified in the Council's change programme for the sport and leisure project is £2.4m over three years, £800,000 per annum, which is equivalent to the total current cost for service delivery including support and property management costs.
41. On 22nd October, as part of the Mayor's budget statement, the Mayor announced a series of proposed financial cuts and increased charges so that a balanced budget can be achieved in 2015/16. One of the proposals listed was to transfer management responsibility for the Council's sport and leisure centres to an external trust, saving £430,000 in 2015/2016 and up to £1.66m over a full year period. This would result in approximately 25 job losses. The Mayor's budget proposals are subject to a six week consultation exercise and this will run until 3rd December 2014. It was also advised that a full Member briefing in relation to this topic will be organised in the near future.

Rainbow Centre – Site Visit

42. Having received information in respect of the work undertaken by the sport and leisure service to reduce the financial subsidy and increase income through increased participation / capital investment the panel requested that a site visit be undertaken to the Rainbow Centre.
43. A site visit was undertaken and the tour of the Rainbow Centre included the Reception Area, Library, Hairdressers, Beauty Room, Café, toilets and changing rooms, sports hall, gymnasium and swimming pool. It was advised that the Rainbow Centre is open from 6.00 am until 10.00 pm Monday to Friday, 8.00 am to 6.00 pm Saturday and 8.00 am until 10.00 pm on Sunday.
44. It was noted by the panel that significant first floor redevelopment work has taken place at the Rainbow Centre and the whole look and feel of the facility has changed to give a lighter brighter environment. The entrance doors, floors and ceiling have been upgraded. Toilet facilities have been improved and there is a shared reception for both the library and leisure centre. The gym has also been modernised and extended, a hairdressers has been incorporated on site and the lease for the café has been awarded to a local business.
45. It was evident during the panel's visit that the refurbished facilities at the Rainbow Centre are excellent and well used. The Council's investment has significantly improved footfall to the Centre. Three years ago, the average number of visits to the Rainbow Centre was under 350,000 but there are now over 600,000 visits per year.

Visitor numbers for all of the Council's leisure facilities have also increased to 1.4 million visits per year. Income has also increased substantially. Four years ago, the Rainbow Centre required a £300,000 subsidy to cover running costs (excluding property and central support costs). This year, a £40,000 profit is expected (excluding those same costs).

46. The Centre has also made use of the internet and social media to promote its facilities. It was noted that work is ongoing with public health on a Health Development Programme. The panel was advised that the Active Middlesbrough brand, which has been very successful, was established two years ago and gym memberships at the Rainbow Centre are currently increasing at approximately 60 new members per month. Pricing and accessibility of leisure services is a key area of interest for the panel and it was noted that a standard pricing structure for gym membership was introduced under the Active Middlesbrough brand. It was designed in line with previous concessionary rates in an effort to increase participation. Irrespective of the future delivery model adopted the panel is keen to ensure that leisure services in Middlesbrough remain accessible to all residents of the town.

WHAT LESSONS THE COUNCIL CAN LEARN FROM NEIGHBOURING LOCAL AUTHORITIES WITH EXPERIENCE OF IMPLEMENTING ALTERNATIVE MODELS OF MANAGEMENT

47. Members of the panel expressed the view that it would be beneficial to gain an insight into the experiences of neighbouring local authorities with experience in implementing alternative models of management. Research also indicates that the state of the local management market should have a bearing on the choice of management model. In areas where there is a limited market of external providers there is more opportunity to establish a new Trust and for that entity to grow over time by bidding for other leisure management contracts in that area.
48. The Chair of the Panel met with Councillor Ken Dixon – Cabinet Member for Arts, Leisure and Culture at Stockton Borough Council on 15 July 2014. The Councillor talked at length about how Stockton's services had been transformed by Tees Active Leisure (TAL).
49. Councillor Dixon advised that Tees Active Leisure (TAL) has managed Stockton Borough Council's leisure facilities since 2004 and that his dealings with TAL have been as a Member of the Board. Councillor Dixon advised that TAL's objectives are to improve the quality of service, increase income and visitor numbers, increase capacity for investment and develop a strategy for facility renewal. The Board is rooted in the community and is made up of an eclectic mix of people including representatives from the sports sector, business, Members of Stockton Borough Council, a staff representative and local residents. TAL is distinguished as an independent leisure Trust, a 'not for profit' provider, which ensures that the income generated in the town is invested back in Stockton's leisure facilities.
50. It was advised that since TAL took over the management of leisure facilities visitor numbers have increased significantly. There has been financial investment in the facilities at Billingham Forum and Splash, as well as a drive to increase gym capacity. Stockton Borough Council has reduced TAL's management fee in recent years and is working towards sport and leisure services in Stockton becoming self-sufficient.

51. Councillor Dixon also made reference to the Tees Barrage International White Water Centre and advised that Stockton Borough Council is particularly keen to encourage more people to use this facility. In an effort to open up the water facility further the Council is planning to build a skywalk on an 'invest to save' principle. There are currently only five skywalks in the UK and the Council is of the view that such a facility will attract additional visitors to the town.
52. It was advised that when looking at the accessibility of sport and leisure facilities across the town Stockton Borough Council had split the town into three areas:- North, South and Central. Councillor Dixon stated that the Council in partnership with TAL continually review the facilities in each of the three areas and consider how each can be improved.
53. In terms of the Council's relationship with TAL Councillor Dixon expressed the view that in his experience TAL is a very good organisation to work with. Another benefit of having a Trust model is that it is easier for TAL to generate prudential borrowing than it is for the Council.
54. Stockton Borough Council's Sport and Leisure Development Manager was also contacted to gain an insight into the way in which the Trust model operates in Stockton. The following questions were put to the Sport and Leisure Development Manager and the responses are detailed below.

What type of Trust Model is in operation in Stockton and what was the rationale as to why this model was adopted?

How was the process for deciding on the preferred model of alternative management undertaken?

What savings and other benefits have been achieved by transferring leisure services to a Trust?

What in your view are the key factors in achieving a successful transfer of leisure services to a leisure Trust?

55. In terms of the type of trust model in operation Stockton Borough Council has a strategic partnership with Tees Active Limited (TAL) rather than a straightforward facility management contract. This involves significant collaboration on capital projects and service profile. It was advised that a decision was taken by Stockton Borough Council to adopt this particular model in order to achieve savings and efficiencies whilst still retaining strategic influence.
56. In respect of the savings and other benefits achieved it was advised that the primary benefits have been those arising from the freedom to focus on core business, driving down costs, reducing sickness absence, branding and marketing free of the Council systems/protocols and investing rate relief into service improvement.
57. The process for deciding upon the preferred model was undertaken via an options appraisal process, which involved key members, partners such as Sport England and the Corporate Management Team.
58. Finally, the key factors in achieving a successful transfer of leisure services to a Trust in Stockton's experience have evolved from those at the time of TAL transfer, but clarity of jurisdiction and framework for TAL, close collaboration between

officers throughout, political understanding and support, and critically the belief that you should not claw back all the possible savings but leave the Trust with the resource to grow and improve.

Case Study – Stockton Borough Council

Tees Active Leisure (TAL) is an independent leisure trust (a charitable social enterprise) and has managed Stockton Borough's public leisure centres since May 2004. Tees Active manages five leisure centres for Stockton Borough Council: - Billingham Forum, Stockton Splash, Thornaby Pavilion, Thornaby Pool and Tees Barrage International White Water Centre, as well as a number of other venues.

Rationale

- Stockton Borough's leisure services were facing considerable challenges c.2002. A Best Value inspection had rated them as being 'unlikely to improve' and made a number of recommendations in relation to service improvement and future management.
- Both in-house opinion and a report from Deloitte and Touche recommended that a leisure trust be formed in order to manage the Borough's leisure centres. After business planning had taken place, final approval was given by Cabinet in February 2004.
- At the time it was considered that a private sector provider would not necessarily be able to meet the targets regarding social inclusion and the type of culture Stockton Council wanted to create.

Implementation

- A specifically tailored trust was set up, in the form of an Industrial and Provident Society, 'Tees Active Limited'.
- The Board of Tees Active is made up of 16 representatives from the sport sector, business, Members of Stockton Council, education sector, local residents, staff representative, and a customer nomination.
- Major capital expenditure and ownership of the centres remains the responsibility of the Council; Tees Active is responsible for minor repairs, equipment and fittings.

Savings and Other Benefits

- Tees Active has more than delivered against its original aims. There have been large increases in attendance at local leisure centres and swimming pools, services have been improved, and the Borough's leisure services have established a favourable local and regional reputation.
- The excellent partnership between the Council and Tees Active has provided the opportunity for the local authority to enhance the provision of sport and leisure services to residents of the Borough.
- The trust is seen to be contributing to the Borough's priorities, especially health.
- The financial benefits have included:- the ability to attain savings on NNDR and VAT due to the trust being able to achieve charitable status, the savings (largely from NNDR and estimated at £280k) were transferred to the trust and explicitly allocated into a development fund for service and facility improvement

- the ability to attract grant funding from bodies that would not normally donate to local government,
- the ability to borrow money in a way that is not possible for the Council.

59. The Sport and Leisure Team Leader at Redcar and Cleveland Borough Council was also contacted in respect of Redcar and Cleveland's experience of implementing alternative delivery models. A summary of the information provided is outlined below:-

Case Study - Redcar and Cleveland Borough Council

Establishing a Local Trust

In 1996 Redcar and Cleveland Borough Council established a local trust - Tees Valley Leisure - as a direct response to budget cuts and proposed centre closures.

- Tees Valley Leisure operated the centres under a simple management agreement until 2004 when a short term contract agreement was established.
- Short term extensions to the contract were subsequently granted and in 2009 the Council also invested £3million in Redcar and Cleveland's leisure facilities.
- Despite the investment the Council faced a number of challenges: - ageing facility stock in need of investment (over £9m backlog and future maintenance identified), the need to reduce the cost of providing leisure services, a clear steer from Members through the leisure vision that they wanted to keep all centres open and a desire to increase attendances to promote health and well-being.
- A leisure options report was undertaken in 2011 - no conclusive evidence that the Council was achieving Value for Money.
- The contract with Tees Valley Leisure was due to end in March 2013.
- A Cabinet decision was taken that from 2013/14 the leisure services budget would be reduced by £400,000.
- Alternative delivery options had to be explored.
- A procurement exercise was carried out in 2012 and the contract was advertised nationally through the OJEU process.
- 17 expressions of interest were received and 6 bidders were selected to progress to outline solution stage (ISOS).
- At the point of Invitation to Submit Final Tender (ISFT) 3 bids were on the table including one from an Established Trust, one from SLM and one from the incumbent operator.
- All 3 bids were very different and offered the Council a variety of solutions.
- SLM was awarded the contract.

Outsourcing to a private sector operator with trust structure

In December 2012 the Council signed a 20 year agreement with Sports Leisure Management (SLM), trading under its brand name Everyone Active, to manage and operate five leisure centres in Redcar and Cleveland including Redcar Leisure and Community Heart (a new £31m leisure and civic heart complex), which opened in the centre of Redcar on 26 April 2014.

- SLM took over the management of five leisure centres from Tees Valley Leisure on 1 April 2013.
- SLM have worked very closely with the Trade Unions and there have been no redundancies.
- The majority of staff are in similar roles to their previous posts and even the most sceptical members of staff have expressed the view that they are happy and content with the transfer. It has been a positive experience all round.
- The service specification has been key in helping Redcar and Cleveland to retain control over key elements of service delivery - setting the parameters on pricing, decision making, service changes and programme changes.
- Cabinet approval is required for any price increases above 3 per cent and any major changes to programming have to be approved by the Project Board, which includes 2 Cabinet Members.

Savings and Other Benefits

- There has been approximately a 12 per cent increase in attendances across the five centres in SLM's first year of operation.
- SLM has invested approximately £1.5m across all centres - £750,000 has been invested in Eston Leisure Centre, £450,000 has been invested in Saltburn Leisure Centre, Loftus Leisure Centre has benefited from a £50,000 cash boost and £100,000 has been spent on Guisborough Swimming Pool and gym.
- An apprenticeship programme has been created with one-year apprenticeships offered in gym instructor, customer service and recreation assistant, as well as a diploma in active leisure leading to full time appointments.
- Everyone Active cards have been introduced enabling pay as you go use of the facilities and online booking.
- New IT infrastructure, website, social media and the Everyone Active Online has enhanced the user experience with faster entry, convenient booking and payment options and improved access control.
- A good partnership relationship has been established with SLM, with regular dialogue – weekly partnership meetings, monthly site visits and 6 monthly all member presentation.
- The contract with SLM has resulted in savings of £400,000 per year in running the centres – a 33% saving on the previous annual operating costs.
- The contract has provided the Council with the opportunity to retain all five existing facilities, reduce the cost of the town's leisure provision, address some maintenance issues and invest in the future of the town's leisure facilities.
- All staff employed by Tees Valley Leisure transferred to SLM and additional jobs have been created as part of the deal.

Lessons Learnt

- Be clear from the outset about what you want to achieve but be open and honest.
- Risk – be clear what risk you want to transfer but be flexible if market reacts.
- Bidder costs – recognise their investment in the process and don't overburden them.

- Finance comparators not just bottom line – build in social objectives.
- Condition surveys as information only – bidders will go down own due diligence but be helpful.
- Take up reference visits – do they walk the walk.

TO CONSIDER PROGRESS TO DATE ON THE DEVELOPMENT OF THE NEW ICONIC MIDDLESBROUGH'S SPORTS VILLAGE

60. The panel last received an update regarding the development of the Middlesbrough's Sports Village at Prissick in July 2013. Since that time work on the £18 million Sports Village has commenced and the Council's Corporate Programme Manager was invited to attend a meeting of the panel to provide an update on the development of the project.
61. The panel was advised that as part of the original proposals it was proposed that Tennis World would be included in the Sports Village hub building. However, following discussions, the Tennis World Club management has decided that Tennis World will remain in its current location. Tennis World is sited on Council-owned land and has a 125 year lease. Tennis World own and maintain its own buildings.
62. Following negotiations, a new lease has been agreed and part of the land will be sold for development. The Council and Tennis World will each receive £0.5 million from the land sale which will be re-invested. The Council is working in partnership with Tennis World with regard to the marketing programme for the Sports Village and pricing arrangements. It was clarified that although Tennis World will be an integral part of the Sports Village, it will remain a separately funded and managed business in its own right.
63. As a consequence of the negotiations with Tennis World, the Sports Village has been re-designed to include an arena venue and multi-court area. The arena will accommodate 260 people seated on movable seating. The multi-court area will be used for sports including roller hockey, badminton, basketball, netball and five-a-side football.
64. The outdoor running track will be operational from November 2014 with temporary changing facilities available to accommodate athletes once Clairville Stadium closes. The main Sports Village building will open in May 2015 with permanent changing facilities. An indoor sprint track has been included which consists of a multi-functional area that can be used for high jump, fitness classes or carpet bowls for example, as well as for running.
65. British Cycling has agreed to provide £0.5 million of funding for a 250 metre velodrome and it is anticipated that the total cost will be approximately £1.2 million. An additional BMX site and football pitch has also been designated space on the plan. It is anticipated that Sport England might provide some funding for the BMX facility. Discussions have taken place with Middlesbrough Football Club with a view to them utilising the pitch for Under 17s and reserve matches. Cricket provision is currently available at Hemlington and in other parts of the town but will be moved back to Prissick once the development is completed.

66. A large area has been designated for an indoor children's play area and a Cafe. There is a 100 station gymnasium on the first floor with a kinesis area for cardiovascular work as well as an area for weight training. Members watched an animation which gave an overview of the Sports Village.
67. In response to a query as to whether a creche facility would be available, the Sport and Leisure Operations Manager explained that all crèche facilities had been removed from the Council's leisure centres several years ago due to the level of subsidy required. However, leasing facilities to nurseries and day care providers was an option that could be considered in phase two of the programme. Facilities for breast feeding would be provided.
68. It was confirmed that pricing for activities at the Sports Village would also be in line with the Middlesbrough offer under the Active Middlesbrough brand.
69. With regard to Roller Hockey the proposal was that competitive matches would be played at the Sports Village, since the arena would meet international standards, whilst training sessions would continue at the Rainbow Centre.
70. The Cafe would be run in-house, essentially as part of the children's play area, as this type of facility is proven to make a profit. Hosting children's parties is key to maximising income revenue. It also encourages young families to use the Centre for leisure and hopefully to become more healthy and active. There is also an intention to obtain a license to sell alcohol so that bar facilities can be provided for example for team presentation events.
71. The location of the Sports Village was queried with regard to the existing high volumes of traffic on Marton Road. It was explained that a Traffic Impact Assessment had been carried out in relation to the Sports Village, Marton Road and Ladgate Lane. There is no vehicular access to the Sports Village from Marton Road. Work has been carried out on Ladgate Lane to widen the access and a new road has been constructed to provide access to the Sports Village, a new development of approximately 200 houses, as well as an 1100 space car park. The car park has been funded by James Cook University Hospital and will provide parking for employees. This will alleviate the traffic on Marton Road. It was also noted that a new train stop has been installed at the Hospital. A Member of the Panel expressed the view that despite the mitigating actions taken there are still real concerns around the impact that the opening of the new Sports Village will have on traffic in East Middlesbrough.
72. The only access to the Sports Village off Marton Road will be for pedestrians or cyclists and work is underway on some new signage for the site. It was clarified that funding for the project is capital funding, mainly from the sale of land at Clairville and Section 106 agreements and not from the Council's main revenue budget.
73. The Sports Village building will have the infrastructure for the provision of wi-fi, and a digital strategy for the whole of Middlesbrough is currently being developed.

CONCLUSIONS AND RECOMMENDATIONS

74. Based on evidence given throughout the investigation the Panel concluded:
- a) Over the course of this review the panel has been consulted on the criteria for the options appraisal, including the associated weightings, by which the various models have been scored. Comments by the panel in relation to the proposed criteria have focused on the issue of staffing and the protection offered by TUPE. Irrespective of the model recommended through the options appraisal process the panel is keen to ensure that the implications for staff are fully explored.
 - b) The panel has previously expressed concerns in relation to the possible impact that Trust status could have on the Council particularly in respect of limiting the Council's flexibility with regard to management and control of the Trust. In light of the evidence received from neighbouring local authorities the panel is aware that there are benefits and risks to moving to a Trust model. However, it is accepted that this is also the case with maintaining the provision in-house.
 - c) The panel would like to take this opportunity to congratulate the Council's sport and leisure services staff on the fantastic work undertaken by the service to significantly increase income and reduce the financial subsidy. Over the last three years the service has successfully reduced its costs by £1.5m and in 2013/14 participation levels in sport and activity in Middlesbrough are for the first time above the national average.
 - d) With regard to the development of the iconic Sports Village at Prissick the panel was interested in considering what impact the development of this facility would have on other sport and leisure facilities across the town. It is worth noting that as part of the Leisure Vision and contract specification in Redcar and Cleveland it was specified by Members that all five centres had to be kept open. Given the scale and diversity of facilities to be offered at Middlesbrough's Sports Village and the potential impact on football at other venues across the town the panel is of the view that this is an issue that requires further consideration in Middlesbrough.
 - e) The panel is aware that in financial terms evidence indicates that the option of procuring the service from an Established Trust will deliver the greatest financial savings. However, the panel is also mindful that achieving financial savings are not the sole driver for reaching a decision on an alternative delivery model. The panel has been impressed with the achievements realised as a result of the partnership approach adopted in Stockton, as well as the achievements of the Council's sport and leisure service in reducing the financial subsidy and increasing levels of participation.
 - f) The panel has been reassured over the course of this review that if the Council opted to establish a Local Trust or procure leisure services from an Established Trust it would not be a case of transferring the assets. The Council would provide a lease, potentially for 10 years, and the assets would remain the property of the Council. This had previously been an issue of concern for the panel.

- g) With regard to the various management options available Members of the panel have to date expressed a range of views on the future delivery options. For example, the view has been expressed that if a Trust model is put forward as the recommended option for Middlesbrough the establishment of a Local Trust or procuring a 'not for profit' Established Trust would be preferable. A member of the panel has also stated that their preference would be for the re-configuration of the in-house provision. The panel is fully aware that there are benefits and risks inherent in all three options.
- h) Ultimately the panel accepts that the decision as to the future delivery of Middlesbrough's sport and leisure services offer will be reached on the basis of the financial savings required and the period over which these savings need to be realised. The panel appreciates that this is not an easy decision for the Council.
- i) The panel is of the view, with the exception of one Member, that owing to the significant austerity measures put in place for local authority spending and the financial savings afforded by Trust status it is the right time for Middlesbrough to adopt a Trust model.
- j) The panel also accepts, that as put forward by the Audit Commission, in most instances only market testing services through competitive tendering will ensure that potential efficiency savings and service improvements can be realised.

RECOMMENDATIONS

75. That the Community Safety and Leisure Scrutiny Panel recommends to the Executive:

- a) That if the proposal to transfer the management of sport and leisure services to an external Trust is taken forward a commitment is made not to 'claw back all the possible savings' but to provide the Trust with the necessary resources to grow and improve for the long term benefit of all Middlesbrough residents.
- b) That the panel's preference is for the procurement of a 'not for profit' Established Trust, as opposed to a private sector operator, however the panel acknowledges that inviting variant bids will encourage innovation and enable the Council to benefit from the most cost effective option.
- c) That if the option to procure an Established Trust is taken forward the current terms and conditions of staff working in sport and leisure services be protected and retained. This should be done in line with nationally recognised best practice approaches and go beyond the minimum legal requirements of TUPE.
- d) That if the option to procure an Established Trust is pursued a local stakeholder board is formed, which includes political, community and staff representation to help inform and influence the Trust and reflect local issues.
- e) That if the decision is taken to procure the service from an Established Trust surpluses generated in Middlesbrough are re-invested in the town's leisure facilities for the benefit of Middlesbrough residents.

- f) That reference visits be undertaken as part of the commissioning process and an invitation extended to the Executive Member for Environment and Chair of the Community Safety and Leisure Scrutiny Panel to partake in these visits.
- g) Pricing and accessibility is another key issues and the panel recommends that pay as you play access is maintained at all of the town's leisure facilities irrespective of the model adopted and that Middlesbrough residents benefit from discounted charges and membership rates.
- h) That the Council's "invest to save" principle in leisure facilities is maintained and that the changing facilities at the Rainbow Centre benefit from investment at the earliest opportunity. The panel is of the view that there is an immediate need to enhance these facilities for the benefit of Middlesbrough residents.
- i) That social objectives are built into any contract specifications including the need to tackle health inequalities and provide diversionary activities for young people.
- j) That efforts continue to ensure an integrated approach is adopted in respect of Tennis World's involvement in the development of the new Middlesbrough Sports Village to ensure a seamless service is delivered to customers using both facilities.
- k) That the panel revisit the issue of traffic impact once the Prissick Sports Village development is complete owing to the concerns raised in respect of the potential impact the new facility will have on traffic in East Middlesbrough.

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76. The Panel would like to thank the following people for their help with this review: -

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 Paul Ayre – Sport and Leisure Operations Manager
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 Clare Walker – Corporate Commissioning Manager
 Steve Fletcher – Corporate Programme Manager
 Councillor Ken Dixon – Cabinet Member for Arts, Sport and Leisure at Stockton Borough Council
 Neil Russell – Sport and Leisure Development Manager, Redcar and Cleveland Borough Council
 Andy Pearson – Sport and Leisure Team Leader, Redcar and Cleveland Borough Council

BACKGROUND PAPERS

77. The following sources were consulted or referred to in preparing this report:

- Report to and minutes of the Community Safety and Leisure Scrutiny Panel meetings held on 16 July and 17 August.
- A Guide to Externalising Leisure Services – Improvement East March 2011
- Public Sport and Recreation Services: Making them Fit for the Future published by the Audit Commission in 2006

- Importance of Sport in reducing Anti-Social Behaviour

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