

Agenda Item 12



Author/Lead Officer of Report: Lisa Firth

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Report of: Report of the Executive Director, Place

Report to: Co-operative Executive

Date of Decision: 17th November 2021

Subject: Leisure and Entertainment Services Review

Is this a Key Decision? If Yes, reason Key Decision:-

Yes No

- Expenditure and/or savings over £500,000

- Affects 2 or more Wards

Which Executive Member Portfolio does this relate to The Leader of the Council

Which Scrutiny and Policy Development Committee does this relate to?

The Overview and Scrutiny Management Committee

Has an Equality Impact Assessment (EIA) been undertaken?

Yes No

If YES, what EIA reference number has it been given? 981

Does the report contain confidential or exempt information?

Yes No

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Appendix 1 is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) being business information of the Council and other parties that it is not in the public interest to publish."

Purpose of Report:

To agree a programme of investment for Leisure and Entertainment services and agree the preferred management option for the future operation of facilities.

Recommendations:

Co-operative Executive is recommended to:

1. Note the ending in 2024 of the arrangements with Sheffield City Trust around the Major Sporting Facilities (Arena, Ponds Forge and Hillsborough Leisure Centre).
2. Approve the investment in our Leisure and Entertainment facilities to deliver a balanced and sustainable portfolio of facilities which support the needs of our communities alongside elite sport and events (Investment in the facilities).
3. Note this gives an opportunity for the Council to review how leisure and entertainment services are delivered in Sheffield and approve the strategy of a Council commissioned (but market driven) approach to appointing an external partner, as outlined in this report (Who runs the facilities).
4. Delegate authority to the Director of Culture in consultation with the Leader of the Council, the Director of Finance and Commercial Services and the Director of Legal and Governance to approve procurement strategies to deliver the strategy and to award any associated contracts.
5. Note phased delivery of this strategy will be approved via the Council's capital programme.
6. Note the programme of public consultation to inform the investment in facilities at a local level
7. Note work will begin to address backlog maintenance issues at the following facilities:
 - a. Ponds Forge International Sports Centre
 - b. English Institute of Sport Sheffield (EISS)
 - c. Ice Sheffield
 - d. Heeley Pool and Gym
 - e. Beauchief, Birley and Tinsley Golf Courses
 - f. Sheffield Arena
 - g. Sheffield City Hall
8. Note that backlog maintenance will also be addressed at Upperthorpe Healthy Living Centre which is currently run by Zest.
9. Note work will be undertaken on creating a lifecycle maintenance investment fund for Leisure and Entertainment facilities
10. Note the implications in (the closed) Appendix 1 and that further work will be done to inform how that can be progressed.

Background Papers:*(Insert details of any background papers used in the compilation of the report.)*

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Ryan Keyworth
		Legal: David Hollis
		Equalities: Annemarie Johnston
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	Mick Crofts & Eugene Walker
3	Executive Member consulted:	Terry Fox
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Lisa Firth	Job Title: Director of Culture, Parks and Leisure
	Date: 08/11/2021	

1. PROPOSAL

1.1 Background/Context

This is an opportunity to review what our communities will need from our facilities and services in the future, and design new, more efficient and impactful solutions to help our communities to be active and stay healthier for longer. We have ambitious plans to do more to maximise the benefits of our leisure and entertainment services for our residents and recognise their contribution towards wider objectives, such as reducing the burden on the NHS and social care, lowering levels of obesity and cutting carbon emissions. We know that these ageing facilities are hampering our efforts to meet net zero targets and must be addressed as part of efforts to tackle the climate emergency. This transformation can only happen if there is a long-term investment plan to support the development of our services.

We know that Sheffield faces significant challenges. Preventable yet life-changing illnesses like obesity and diabetes are increasing and the recent pandemic has undermined participation in one of the most effective preventative measures; being active.

Insight from the Sport England Moving Communities demonstrates the significance of public leisure centres in the activity habits of customers' lives, with 86 per cent of people saying they preferred exercising in them compared to a more informal environment, and 77 per cent saying they felt the staff at the centre gave them the guidance they needed to be more active.¹ The LGA Securing the Future of Public Sport and Leisure Services Public report (LGA report) confirms that sport and leisure facilities also play an essential role in giving children the best start in life with 72 per cent of schools relying on public swimming pools to teach children vital swimming skills.

The COVID-19 pandemic has significantly impacted our leisure and entertainment services. The loss of income due to long periods of closure combined with ongoing maintenance costs of our ageing leisure facilities has created financial challenges.

However, these acute challenges have put our leisure and entertainment services under the spotlight and have led to a renewed recognition of the vital contribution they make to our communities. The Council recognises that leisure services fundamentally support the health of our city, enabling people to live longer, prevent or manage health conditions, and boost mental health. Research also shows that the more deprived an area is the more dependent the community is on public sports and leisure provision.

Despite the challenges, major opportunities exist. The new Office for Health Improvement and Disparities provides the opportunity to strengthen the

¹ LGA – Securing the future of public sport and leisure facilities and services integral to health of the nation: Culture, Tourism, Leisure & Sport. 15th September 2021.

relationship between leisure provision and the health system. Working in partnership with others we want to develop leisure and entertainment services that deliver considerably more social, economic and environmental benefits and support long term recovery from COVID-19. It is vital that we take a thoughtful, coordinated approach as we rebuild from the pandemic to create the facilities that our communities need in the long-term

Sheffield City Trust currently run most of the council's leisure and entertainment facilities and some of these arrangements come to an end in 2024. In response, in 2019 Sheffield City Council commissioned SLC (Sport & Leisure Consultancy) to undertake a Leisure and Facility Investment Review (LIFR). This examined the ways in which the City's Leisure, Entertainment and Events facilities and services could be redeveloped to become as close to self-funding as possible through investment and service transformation and also how the facilities could be managed beyond 2024. This was driven partly by financial challenges, but largely by an ambition to improve the quality and accessibility of leisure facilities, the customer experience and to help achieve the vision and mission of the city's Move More Plan.

1.2 Investment in Leisure & Entertainment Facilities

- 1.2.1 We know that our leisure and entertainment facilities require significant investment to address backlog maintenance requirements to enable facilities to continue to operate and some facilities are reaching the end of their expected useful economic life.
- 1.2.2 We also know that the cost of the backlog and future maintenance across the facilities is approximately £63m between now and 2028. This investment would not provide a significant improvement to the services on offer, it would simply maintain the facilities in their current form.
- 1.2.3 In order to understand the long-term financial implications and affordability of a range of investment options, a 30-year financial model has been developed. This has enabled the Council to review a range of phasing and investment options alongside different management options to assess the financial implications. This provides the Council with a long-term business plan to support decision-making on the future of the Council's leisure and entertainments facilities, how they operate and the services they provide.
- 1.2.4 The financial modelling identified that it is more financially efficient to rebuild some of the older facilities in the estate than continue to invest in ongoing lifecycle and maintenance support.
- 1.2.5 The financial model also determined that the Council cannot afford to undertake all the investment work at once, therefore a phased approach to investments is required.
- 1.2.6 It is important that any investment in the future of the leisure and entertainment facilities includes an allocation for ongoing lifecycle investment to ensure that facilities are kept in good condition and don't fall into disrepair in the future. The financial model has therefore built in a

programme of lifecycle investment for all facilities as well as dealing with previously identified backlog maintenance issues. For facilities that have been identified for rebuilding, essential maintenance funding is also included in the model to support any health and safety and business critical works required in advance of the rebuild taking place.

- 1.2.7 The table below shows the investment assumptions that have been included in the financial modelling and the proposed phasing of the investment work:

Leisure Facility	Proposed Investment	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Springs Leisure Centre	New build										
Concord Leisure Centre	New build										
Hillsborough Leisure Centre	New build										
Ponds Forge International Sports Centre	Backlog maintenance										
	Upgrade Investment										
Heeley Pool & Gym	Backlog maintenance										
English Institute of Sport Sheffield (EISS)	Backlog maintenance										
Ice Sheffield	Backlog maintenance										
Beauchief, Birley and Tinsley Golf Courses	Backlog maintenance										
Upperthorpe Healthy Living Centre	Backlog maintenance										

Entertainment Facility	Proposed Investment										
Sheffield Arena	Backlog maintenance										
	Improvement to the concourse and hospitality spaces										
Sheffield City Hall	Backlog maintenance										

- 1.2.8 Additional feasibility will be undertaken to detail the investment priorities identified above. Further reports will be presented to the Co-operative Executive as part of the Capital Approval process as the investment projects for each facility are developed further.

1.3 Current Management Arrangements (how facilities are run now)

- 1.3.1 The Council has a portfolio of leisure and entertainment facilities across the city. Some, such as Graves and Thornciffe are delivered under a commissioned model where we have appointed an external partner to run the facilities. Others are operated by community groups such as Upperthorpe Healthy Living Centre and King Edwards Swimming Pool.

The longest standing arrangements are those with Sheffield City Trust (SCT). SCT was set up in 1987 as an independent charity to oversee the running of the City's sport and leisure facilities, linked to the Major Sporting Facilities (MSF) which includes Ponds Forge, Hillsborough and the Arena that were built for the 1991 World Student Games.

- 1.3.2 Since 1987 additional facilities have been added to Sheffield City Trust portfolio, the Trust currently operate the following facilities:

- Ponds Forge International Sports Centre
- Hillsborough Leisure Centre
- The Arena
- Concord Sports Centre
- Beauchief Golf Course
- Tinsley Golf Course
- Birley Golf Course
- Heeley Pool and Gym
- Springs Leisure Centre
- English Institute of Sport Sheffield
- Ice Sheffield
- Sheffield City Hall

- 1.3.3 SCT operates these facilities for its own charitable purposes under long leases with funding support from the Council. The Council does not control what is delivered from these facilities and there is no service specification in place to determine how the facilities are currently run.

- 1.3.4 The funding arrangements in place for the MSF facilities means that part of the SCT managed portfolio (Ponds Forge, Hillsborough and the Arena) must be returned to the Council in 2024. The wider implications of that are dealt with in the closed Appendix 1.

1.4 Future Management Arrangements (How will the facilities be run)

- 1.4.1 The LIFR carried out by SLC was also supported by a review and appraisal of management options (who runs the facilities) which is an important factor in determining the future financial position and long-term sustainability of the service.
- 1.4.2 The LIFR has placed community needs at the centre of any future management model, along with identifying the most cost-efficient option. A

summary of each of the management options considered is provided below.

- 1.4.3 A 30-year model has been developed. The model has been designed to demonstrate the financial and service implications of a range of investment options and considered 3 management options. This has been supported by assessment of the wider social and economic impacts and outcomes of the services. This provides the Council with a long-term view to support decision-making on the future of the Council's leisure and entertainments facilities and services, how we should invest in them and how we want them to be run.
- 1.4.4 The review has told us that the way the facilities are run (management model) has a significant impact on the overall cost to operate the services which directly impacts on the level of investment available for the facilities and in turn the quality of the facilities we can offer.
- 1.4.5 Procurement and subsidy regulations mean that the Council cannot simply enter into a further agreement with SCT when the existing arrangements come to an end, so the Council has explored options to either bring the services back in-house, establish a Local Authority Trading Company (LATC) to operate the services or appoint an external partner.

1.4.5a In House Model

Under this model the Council would have full control over the management of the facilities and all the financial and operational risks of managing the facilities would sit with the Council. This model would increase the cost of VAT for the Council and is therefore much more expensive to operate. This model would have a significant impact on the Council's finances and would inhibit the ability to invest in facilities.

1.4.5b Local Authority Trading Company (LATC)

Under this model the Council would create a wholly owned company to operate the facilities. The Council would develop a Specification for Services to set out the operating requirements for the LATC, this would ensure that the LATC was operating in line with Council policy on areas such as staff pay rates and concessionary pricing and social outcomes. This model would not have the same VAT burdens as an In-House model. The delivery and operational risk of the facilities would transfer to the LATC in line with the contract however all the financial risk associated with the company itself would remain with the Council.

1.4.5c External Partner

Under this model the Council would go out to tender to select a preferred partner to operate the facilities, the tender could specify that the external partner must be a not for profit or charitable organisation. The external partner would enter a contract with the

Council and operate under a Services Specification that would include the key policy requirements such as staff pay rates, concessionary pricing and social outcomes. Under this option a contract price would be set for the duration of the contract and the delivery and operational risk of the facilities would transfer to the external partner in line with the contract.

1.5 Preferred Management Option

- 1.5.1 The LIFR found that the External Partner is preferable to a LATC because it has the same ability to influence how services are run and customer outcomes, yet it doesn't have the additional financial risk. It is the best option for the Council to progress as it is also the most affordable option and will allow the Council to invest more to significantly improve facilities. This model also provides greater financial certainty as the financial risk would transfer to the operator.
- 1.5.2 The LIFR has also shown that the external partner model will return the highest level of income. This is because an external partner is likely to benefit from existing regional structures which means that central overhead cost such as senior management, central administration, HR and payroll attributed to the delivery of services will be lower. In addition, a specialist external partner is likely to be able to deliver economies of scale on procurement supplies and services and have stronger marketing expertise to generate sales and therefore increase income.
- 1.5.3 The external partner model also provides the greatest financial certainty and the least financial risk, because a management fee would be set as part of the contract procurement and financial risk can be transferred to the external partner.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 It is expected that investment into new and improved facilities will attract and retain increased participation and usage of venues. Improved facilities will better meet customer expectations of a modern and welcoming leisure and entertainment offer. This will help to reduce inequalities, increase access and remove barriers to participation and encourage more people to be more active, more often. This will contribute to our Public Health objectives and the City's Move More outcomes.
- 2.2 Investment in Leisure will improve financial viability and long-term sustainability of the services. It will ensure that facilities are up to date, relevant and based on evidenced need. New facilities will help to deliver

against the council's commitment to the climate emergency by improving the environmental sustainability of facilities.

- 2.3 Investment will improve equality of access ensuring that facility developments are designed to be fully accessible and inclusive.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The review has included consultation with a range of internal and external partners and users, this included Co-operative Executive members, Local Councillors, several Council departments (e.g., Youth Services and Parks & Countryside), National Governing Bodies such as the Lawn Tennis Association and British Swimming, Sport England and multiple users of facilities. The outcomes of this consultation have helped to shape the identified investment proposal included within this report.
- 3.2 In order to further shape this work the Council is in the process of commissioning a programme of community consultation that is inclusive in its approach. This will see consultation taking place within each of the seven Local Area Committee areas as well as consultation with specific groups including BAME communities, older people, young people and disabled people.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 The proposals identified within this report are expected to have positive equality of opportunity impacts as our consultation and subsequent investment in facilities will help to reduce barriers to participation and encourage more people to be more active, more often, especially those who don't currently use the facilities. Investment in facilities will improve equality of access ensuring that facilities are designed to be fully accessible and inclusive.

4.2 Financial and Commercial Implications

- 4.2.1 The Council will develop a Procurement Strategy with a detailed specification to support the recommendation of engaging an external partner to operate facilities from 2024. The specification will incorporate the Council's key policy principles such as staff terms and conditions and concessionary pricing.
- 4.2.1 The preferred option will see over £100m invested in leisure and entertainment in Sheffield. This investment will cover the £63m backlog maintenance in a more efficient and sustainable way, providing better value for money by enhancing rather than maintaining our facilities.

4.2.2 The expected cost of continuing to subsidise SCT until 2024 and fund remaining debt costs is included in the Council's Medium Term Financial Analysis that was approved by Co-Operative Executive on 20 October 2021.

The Council will need to continue to provide cash flow support to SCT as required to ensure that SCT remains a going concern.

The financial modelling done to support the recommendations in this report shows that:

- The investment programme will require support from reserves in the first 10 years of the strategy.
- Once the initial investment programme is complete, reserves will be repaid from the operational surpluses.
- A prudent ongoing maintenance allowance within the financial model should reduce the risk of backlog maintenance building up into the future.
- The financial modelling shows that the general fund revenue subsidy currently required to support Leisure and Entertainment in the City will be able to be phased out from 2024 and will not be needed in the long term.

4.2.3 Further implications are included in the closed Appendix 1.

4.3 Legal Implications

4.3.1 The Council has the power under the Local Government Miscellaneous Provisions Act 1976 to provide recreational facilities inside or outside its area as it thinks fit including premises for the use of clubs or societies having athletic, social or recreational objects; staff, including instructors, in connection with any facilities and facilities by way of parking spaces and places at which food and drink may be bought from the authority or another person and the power to provide buildings, equipment, supplies and assistance of any kind.

4.3.2 The delivery of commissioned services is likely to be a services concession agreement for the purposes Concession Contracts Regulations 2016 and will require a public procurement exercise in accordance with those regulations.

4.3.2 The wider strategy is likely to engage other legal implications such as public procurement obligations under the Public Contract Regulations 2015 for works and subsidy control. TUPE is likely to apply in relation to staff working at the facilities. These implications will be developed as the strategy progresses.

4.3.3 It is likely that property arrangements by way of leases of facilities will be entered into with any providers.

4.3.4 There will also be lease and other contractual implications arising from the exit of the MSF funding arrangements with SCT.

4.4 Other Implications

4.4.1 The Local Government Association's Securing the Future of Public Sport and Leisure Services report, published in September 2021 in partnership with the Association for Public Service Excellence (APSE) and Chief Cultural and Leisure Officers Association (CLOA) evaluates the current state of public sport and leisure services and sets out recommendations to ensure the survival and development of the sector. The report confirms that investment in public sport and leisure facilities and services is key to levelling up the health of the nation, tackling health inequalities and supporting climate change targets. The report evidences that regular physical activity reduces the risk of serious illness and disease. With obesity rates forecast to cost £9.7 billion per year by 2050, the LGA report advises that delivery of low-cost facilities and social prescribing opportunities from councils is key in responding to this crisis, addressing health inequalities, and reducing the burden on the NHS and public health services.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Alternative Management Model

The Council has reviewed three possible options for the future management of facilities, as described in 1.3. This included in house, a Local Authority Trading Company (LATC) and appointment of an external partner. The in house and LATC options were not selected as they are more expensive and present a greater level of financial uncertainty and risk to the Council. They would not allow for the level of investment needed for the Council to offer significantly improved leisure facilities.

5.2 Do Nothing

Doing nothing is not an option. The current arrangement with Sheffield City Trust come to an end in 2024 and the facilities themselves require significant investment just to remain open and functioning. Without investment facilities will continue to decline and eventually close.

6. REASONS FOR RECOMMENDATIONS

6.1 The council recognises that leisure provision will be critical post COVID-19, with many people requiring rehabilitation after suffering long-COVID, or diminished mental health caused by lockdown. The health and wellbeing of residents is a priority, and it is clear the services delivered by leisure play a vital role both now and in the future. It is therefore critical that a long-term management and investment strategy is put in place to secure the future of the leisure and entertainment portfolio.

- 6.2 It is expected that investment into new and improved facilities will help to attract and retain increased participation and usage of venues. Improved facilities will better meet customer expectations of a modern and welcoming leisure and entertainment offer. This will help to reduce barriers to participation and encourage more people to be more active, more often.
- 6.3 Investment in Leisure will improve financial viability and long-term sustainability of the service and ensure that facilities are modern and accessible. New facilities will also help to deliver against the Council's commitment to the climate emergency by improving the environmental sustainability of facilities.
- 6.4 Investment in new facilities will also improve equality of access ensuring that facilities are designed to be fully accessible and inclusive.
- 6.5 There is a clear financial link between the amount of money the Council can invest and the operating model selected. The greater the income the operator generates, the more money the Council can safely invest. It is therefore critical that the Council selects the management option that provides the greatest level of income, and that the decision on the future management option is taken alongside the decision to invest.
- 6.6 The Leisure Review has shown that the external partner model is the most financially advantageous and returns the highest level of income. This is because an external partner is likely to benefit from existing regional management structures which means that central overhead cost such as senior management, central administration, HR and payroll attributed to the delivery of services will be lower. In addition, a specialist external partner is likely to be able to deliver economies of scale on procurement supplies and services and have stronger marketing expertise to generate sales and therefor increase income.
- 6.7 The external partner model also provides the greatest financial certainty as the least financial risk as a management fee would be set as part of the contract procurement and financial risk can be transferred to the external partner.

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