

Public
Key Decision - Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Independent Review of the Long-Term Operating Model for One Leisure
Meeting/Date:	Overview & Scrutiny Panel (Environment, Communities and Partnerships) – 7 th March 2024 Cabinet – 19 th March 2024
Executive Portfolio:	Cllr Simone Taylor – Executive Councillor for Leisure, Waste and Street Scene (ST)
Report by:	Gregg Holland, Head of Leisure Services (GH)
Ward(s) affected:	All

Executive Summary:

The purpose of this report is to brief and seek endorsement from Members on the work undertaken by independent advisors on the Long-Term Operating Model for One Leisure.

The Interim Head of Leisure Services when appointed in May 2022 had a remit that was centred around three key elements, and these were:

- A review of One Leisure's commercial sustainability and operation.
- To implement a medium term financial and operational plan.
- To propose and implement a long-term operating model review for One Leisure.

Following a tender exercise, the Council commissioned First Point Management & Consultancy Limited (First Point) in September 2023 to undertake an independent review of its in-house leisure function, to consider initial transformation work undertaken, and to determine the most appropriate future operating model for One Leisure.

Following the completion of the independent review it has concluded that One Leisure should pursue a "Transformed In-House" operating model over the short-medium term.

The independent review (**Appendix 1**) was broken into three key areas:

1. Short Term Operating Models (2-3 years)
2. Built Facilities & Playing Pitch Strategies

3. Medium (3-5 years)- & Long-Term Operating Models (5+ years)

** A full tender scope of the key elements above can be found in (**Appendix 2**).

Recommendation(s):

The Cabinet is asked to approve the following recommendations:

- (a) that the Independent Review and its key recommendations be approved;
- (b) to approve the continuation of One Leisure with the recommended "Transformed In-House" operating model;
- (c) to commence the development of Outline Business Case's (OBC's) and feasibility studies on capital investment, subject to final Cabinet approval on any investment proposals that the feasibility studies recommend;
- (d) that the proposed medium to long term operating model for One Leisure be approved and agree it will be reviewed in 3 years in line with recommendations by the independent consultant within this report;
- (e) that an annual update on actions against all the recommendations made by the independent consultant be approved;
- (f) acceptance by Cabinet that the Interim Head of Leisure Service has discharged his original remit by proposing and seeking endorsement for a proposed long-term operating model for One Leisure;
- (g) to formalise the current leadership arrangements for One Leisure to ensure continuity and consistency be noted.

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to brief and seek endorsement from Members on the work undertaken by independent advisors on the Long-Term Operating Model for One Leisure. The review had a series of outputs as part of its commission:
- a. To provide insight into the UK leisure market post COVID-19 and the subsequent challenges facing the leisure operating environment because of COVID-19. This can be seen in Appendix 1.
 - b. Provide an options appraisal on the different long term operating models best suited to One Leisure based upon the existing leisure market challenges.
 - c. The brief outlined an options appraisal which should include but not be limited to a review of the suitability of a series of operating models:
 - In-house management (Transformed In-House Model – One Leisure)
 - In-house management via a Council owned company (wholly owned company (LATCo) / Teckal company)
 - Tendering the leisure service as a commercial service or concession contract
 - Creation of a Trust or not-for-profit entity
 - d. To review and use the actions within the Built Facility Strategy and Playing Pitch Strategy to inform this work, and to clearly identify a recommended priority list for capital investment.
 - e. To submit a proposed capital investment priority list to the Council with outline recommendations, illustrative costs and revenue benefits and proposed timelines.

2. BACKGROUND

- 2.1 The Council provides an in-house leisure offer through its 'One Leisure' brand that was established in 2010, the service has always been managed in-house and there is no history of it being operated by a third-party. The service comprises of:
- St Ives Indoor Leisure Centre
 - The Burgess Hall attached to the centre.
 - St Ives Outdoor Centre
 - St Neots Leisure Centre
 - Ramsey Leisure Centre
 - Huntingdon Leisure Centre
 - One Leisure Direct Call Centre (based at Huntingdon Leisure Centre)
- 2.2 The Council decided upon a move away from a traditional leisure services approach and undertook a thorough review of its assets, planning to invest c.£10m into its leisure facilities.

- 2.3 The capital investment and change in approach was based upon the premise of the service shifting from operating at a financial deficit to a commercially and financially sustainable position.
- 2.4 Following the completion of the capital investment and rebranding between 2015 – 2019 the Council commissioned an independent review (EELGA) of One Leisure with the aim of supporting its long-term goal of becoming a commercially sustainable business whilst supporting and providing the local communities it serves with affordable opportunities to be physically active.
- 2.5 The completion of the actions outlined within the independent review (EELGA) in 2019 were disrupted by the COVID-19 pandemic as leisure operators across the country faced a sudden and significant loss of income during the government-imposed closures and the subsequent restricted conditions placed upon re-opening facilities with reduced capacities and on-going business recovery.
- 2.6 An interim Head of Leisure Services was appointed in May 2022 with a clear remit to undertake:
- A review of One Leisure’s commercial sustainability and operation.
 - Implement a medium term financial and operational plan.
 - Propose and implement a long-term operating model for One Leisure.
- 2.7 The review of One Leisure’s commercial sustainability and the implementation of a medium term financial and operational plan have been completed, this report therefore focusses on the long-term operating models for One Leisure

3. OPTIONS CONSIDERED

- 3.1 As outlined within the “Executive Summary” of this report the independent review was broken into three key areas:
1. Short Term Operating Models (2-3 years)
 2. Built Facilities & Playing Pitch Strategies
 3. Medium (3-5 years)- & Long-Term Operating Models (5+ years)

Short Term Operating Models (2-3 years)

- 3.2 The Council identified four key delivery options to consider what could potentially be deployed for the operation of the Council’s leisure facilities, these include:
1. Direct in-house delivery by One Leisure (the current model).
 2. Establishing a wholly owned and controlled council company.
 3. Commercial outsourcing to a third party.
 4. Creation of a trust or not for profit entity.

Further details on what these options involve can be found in Appendix 1, Core Options (page 21).

3.3 The in-house option is considered as the ‘Transformed In-House’ model, the transformation foundations of this have already been laid through the appointment of an Interim Head of Leisure Services, adopting a more commercial approach to the service, the commissioning of the Built Facility and Playing Pitch strategies in 2022 and developing a detailed staff review.

3.4 Failure to implement change would result in the ‘status quo’ being maintained and the operational deficit continuing unabated; encouragingly the initial stages of transformation have been supported by the Council therefore the ‘Transformed In-House’ is the model considered as the direct delivery option against the other core options listed above.

3.5 To determine the best operating model for One Leisure the Council requested an options appraisal and the principles for this were set out by officers in the project brief. The principles we asked the independent advisors to score against were:

- financial modelling and assessment of financial impact.
- balancing the level of risk, the Council would be exposed to.
- the commercial return the Council could secure or guarantee.
- the social and wellbeing benefits the Council could achieve.
- the environmental factors that the Council expect to achieve through its Climate Strategy.
- the level of control the Council would retain over both strategic and operational matters.

3.6 Each element below is RAG rated as illustrated below:

	Most beneficial / advantageous to the Council
	Moderately beneficial / advantageous to the Council
	Least beneficial / advantageous to the Council

3.7 The table below provides a summary of the criteria set by the Council, a weighting applied to the assessment and the outcome.

	Set Up & Transitional Costs	Level of Operational Risk Transfer	Asset Mngt. Transfer	Level of Council Control	Scope for community Involvement	Potential to increase participation	Access to capital and investment funds
Transformed In House							
LATC							
Market Solution (Outsourced)							

Creation of a Trust or not-for-profit entity							
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3.8 It is important to note that whilst the “Transformed In-House” option has received two red inserts under “Level of Operational Risk” and “Asset Management Transfer” that this is not negative, but the least beneficial as the Council would simply continue to be responsible for risk and asset management under the proposed approach. Therefore, this is no change to the current position.

3.9 Following the options appraisal assessment on the short-term operating model the independent review concluded the following:

3.9a In consideration of both the current Market Assessment, the Options Appraisal, the Transformed In-House model is considered to provide the best solution for the Council in the immediate short-term. It also ensures Council control is maintained at a time when the need for control and ability to respond to opportunity is likely to be significant.

Appendix 1 discusses in more detail the considerations and rationale for this recommendation.

3.9b Both service and corporate capacity to implement an alternative delivery currently would be challenging and may severely stretch the organisation. However, reviewing market conditions through an Early Market Engagement exercise and reconsidering the LATC option within the next year is worthy of consideration. The set-up costs and timescales associated to implementing any of the other options is likely to take until early 2025 to result in a change of operating model even for a LATC, assuming a decision to select an alternative model is taken in early 2024.

3.9c If the **Transformed In-House model** is approved and resourced, the transformation journey will effectively have had a 12-month head start on any of the other options to implement the changes required.

3.9d In each of the other models the operator is an independent entity, although less so with the LATC as the Council would be its sole member and can determine the continuation of the company.

3.9e **Post COVID-19 Leisure Operating Assessment:** The impact of the COVID-19 pandemic and market recovery, the acute rise in utility costs and cost of living crisis have resulted in a more cautious market and operators becoming risk adverse, changing, and suppressing the appetite of operators to take commercial risks. The disruption of a service transfer for the short term is unlikely to be beneficial to the financial or operational position. In theory, it could be argued that the required service specification, and performance framework for the LATC model provides the Council with control in all options, however each of these would require an enhanced ‘client side’ to monitor the contract whilst the Transformed In-House provides direct control and influence.

- 3.9f The **Local Authority Trading Company (LATC)** is only an attractive option if there is a commitment to a contractual term that would provide sufficient time to implement and benefit from commercial changes, the costs of creating such a vehicle would necessitate this.
- 3.9g **Community involvement** - The Transformed In-House and LATC are most likely to provide opportunities for community involvement as they will have existing relationships and connections with the communities they serve, although it is possible over time that the other operating models could achieve similar levels as they develop their understanding of the locality. It is not considered that there is any material difference between the models in terms of increasing participation as all models will have a clear focus on delivering this.
- 3.9h **Capital investment** - Access to capital and investment funds for large capital schemes for local authorities is likely to come from the Public Works Loan Board (PWLB) as the Council are owners of the assets; interest rates are competitive and offer good value for money compared to market financing solutions. We will evaluate funding streams as a council once the OBC's and feasibility studies outlined within this report have been tabled for review and approval. Appendix 1 discusses in more detail the considerations and rationale for this recommendation.

Built Facilities & Playing Pitch Strategies

- 3.10 The Indoor and Built Sports Facilities Strategy (IBF) and Playing Pitch and Outdoor Sports Strategy (PPOSS) 2022 - 2043 were commissioned in early 2022 with completion in November of that year and subsequently adopted by the Council in June 2023. The strategies are endorsed by Sport England insofar as they follow the accepted methodology in terms of an assessment of provision and projected need in line with population growth forecasts contained in the Local Plan over the next two decades.
- 3.11 A Sport England endorsed strategy is the 'gold standard' for the assessment of sports facilities; commissioning this work demonstrates a commitment to a robust evidence base to support and enable improved sporting facilities for Huntingdonshire residents. It is clear these strategies will help provide the evidence base to develop the right facility mix across Huntingdonshire; however, it does not resolve the issue of prioritisation or funding for One Leisure facility provision. These strategies will also support the updates to the Local Plan review and be considered as part of the Councils' Place Strategy and Climate Strategy.
- 3.12 Recent challenges across the leisure sector in terms of affordability of leisure provision and closures, should be taken into consideration when considering the district leisure requirements.
- 3.13 Both strategies for both indoor and outdoor sports facilities will support delivery at a local level and provide the needs assessments and strategic recommendations to act upon. These are strategies spanning some 20 years and relate to sport and leisure provision across the entire council

area. The scope of this review is focussed upon and limited to the One Leisure estate.

- 3.14 The independent review outlined that the immediate capital investment priority should be to adequately resource and commission the feasibility studies and the Outline Business Case (OBC) of each proposal. The review also stated that the OBC should only be commissioned if a scheme is technically possible to deliver and is geared towards supporting a bid to secure capital funding (internally/externally).
- 3.15 To support the work undertaken as part of the Built and Playing Pitch Strategies the consultant provided a proposed list of capital investment priorities for One Leisure to present as part of this report. These are included within **Appendix 3**.
- 3.16 In addition and within **Appendix 4** the consultant has provided a proposed capital investment programme which has been structured over the short, medium, and long term and thus supportive of the nature of this report and the future direction of One Leisure. This includes an indicative capital cost for the delivery of these items.
- 3.17 The timescales for delivery of capital schemes will be dependent on the following:
- Findings from the Feasibility Studies
 - Approval of the OBC
 - Securing capital funding and approval
 - Corporate capacity to deliver
- 3.18 Following the independent review of the Built and Playing Pitch Strategies the consultant concluded the following:
- The production of a financial appraisal as phase 2 of the Built and Playing Pitch Strategy work should be commissioned, as an understanding of the scale of the investment need may help to both influence and clarify potential funding sources, developer contributions and deliverability of schemes.
 - Addressing the identified shortfall in provision across the district, will require a focussed approach over a long period of time, it should be remembered that the Built and Playing Pitch Strategy span a period of two decades, delivery is a 'marathon not a sprint.'
 - The Council has a lead role in supporting the delivery of these strategies but should not be the sole owner or funder.
 - Where there are existing and future opportunities for both indoor and outdoor shared or dual use facilities, it will be important that community access agreements provide good public and/or club access.
 - A key element of this review has been to consider the operating model and sustainability on the current model, investment in the existing estate to refurbish or develop new facilities that enhance the offer will be essential to protect existing and increase revenues.

Medium (3-5 years)- & Long-Term Operating Models (5+ years)

- 3.19 The leisure sector and its long-established operating models has undergone significant change as a result of the COVID-19 pandemic and the challenges associated with the challenging market conditions now prevailing across the UK. Some external private operators have reduced in size and complexity to ensure business continuity. For One Leisure to provide a financially sustainable service offer it must operate as the Transformed In-House model, operating to optimum efficiency wherever possible, however that objective is reliant on adequate and continued investment in the facilities. The impact of Covid, has made the commercial sector more risk averse, while tax changes have reduced the advantages of a charitable or trust model. Given these factors, a transformed in-house model, as shown in the options appraisal above, offers the best balance of risk, control, and benefit.
- 3.20 Both the medium- and longer-term operating models should be determined by assessing the performance of One Leisure and how the transformation objectives have been delivered coupled with horizon scanning and testing the market through an Early Market Engagement exercise, and potentially leading to a full procurement event. Assessing market conditions in 2-3 years should also be sufficient time for the liability of the Terms & Conditions Audit to have been determined and resolved.
- 3.21 The operating model is only likely to be influenced by the capital investment plan if HDC has reached its borrowing capacity from the PWLB for a major capital scheme e.g., a new leisure centre, or in the unlikely event that market loan rates become lower than the PWLB. Operators that can potentially bring capital investment to facilities will seek to recover that investment over the contract term, which is highly likely to result in a higher cost of borrowing for the Council but spread over a long period. Capital investment and service delivery through a DBOM solution (a market solution to Design Build Operate and Maintain) is generally a long-term commitment of c.20 years or longer.
- 3.22 The real opportunity for One Leisure and the future leisure provision remains with developing partnerships with the health sector and in particular the relationship with a maturing ICB. That pivot to health requires and will allow the in-house team to develop a broader systems leadership role with partners and safeguard some of the financial risks of the leisure market. Securing long term investment in community outreach will also help deliver those outcomes linked to broader community targets contained in the new strategic plans recently endorsed.
- 3.23 An investment in feasibility studies and the OBC's that follow will determine what the capital investment priorities will and should be. The Built and Playing Pitch Strategies are long term strategies for the district not just One Leisure and identify projected needs over the next 20 years. The priorities and demand may change over time as activity trends can change too (the demise of squash and the rise in popularity of spin classes are examples of change over time); the anticipated pace of development may change too. Where some facilities may have reached the end of their

natural life, consideration may be around full re-provision rather than refurbishment. As outlined within the main independent review it is too early to project the revenue benefits of potential schemes this would be developed through from the OBC work once the technical feasibility study of a proposed scheme has been completed.

3.24 Following the independent review of the Built and Playing Pitch Strategies the consultant concluded the following:

- It would be prudent to review the operating model periodically, doing this on a 3–5-year cycle is reasonable approach and building this cost into the council's long term MTFs would be advantageous.
- If it is agreed to continue with in-house provision in the form of One Leisure as the Transformed In-House model then a review in line with the suggested review cycle should be adhered to, this ensuring best value is being delivered.
- It is not considered that capital investment is a determining factor of the operating model of HDC's leisure offer unless access to the relatively low cost of borrowing through the PWLB ceases to be available to the Council or a full funding partnership is developed with health.

4. COMMENTS OF OVERVIEW & SCRUTINY

4.1 The Panel discussed the One Leisure Long Term Operating Model Report at its meeting on 7th March 2024.

4.2 Councillor Shaw expressed his support for the recommendations within the review and observed that the issues faced by the transfer of the Sawtry centre to an external company reinforced the need to continue to keep the service within the Council. This was a sentiment shared by Councillor Hunt, who enquired what changes users might expect during the transformation process. The Panel were assured that this work was underway and that although the changes to be made would ensure the commerciality of the centres remained this would also ensure self sufficiency.

4.3 Following an enquiry from Councillor Harvey relating to the potential reclamation of VAT, the Panel heard that this was being investigated by the Finance team and a further details would be brought to the Panel at a later date.

4.4 Councillor Burke stated that the proposed changes to the One Leisure St Ives Outdoor centre were good to hear, and enquired about the potential inclusion of Health Hubs within the centres. The Panel heard that the team continued to work with Health Partners to maximise and develop opportunities.

4.5 Following a request from Councillor Alban to clarify the increased budget figures for One Leisure, the Panel heard that the achieved figures for the 2022/23 budget had set the budget target for 2023/24 and was due to an

increase in revenue, an agree price increase, a capital bid being brought forward and the continued trajectory of growth within the industry.

- 4.6 Councillor Alban requested an update on the Sawtry centre on behalf of Councillor Bywater, in response to which, the Panel heard that the centre had been transferred to another owner in 2019 and whilst the team have endeavoured to provide support and positive outcomes in the best interests of the local community, the onus to do so does rest with the private operator.
- 4.7 Following a further question from Councillor Alban, the Panel heard that One Leisure Direct were more than a call centre, and that a consultation was currently underway which included a review of all One Leisure staff structures and responsibilities.
- 4.8 Following the discussion, the Panel were informed that their comments would be added to the Cabinet report in order for an informed decision to be made on the report recommendations.

5. KEY RISKS

- 5.1 The table below illustrates the risks and possible impact of not adopting the outlined recommendations listed in **Appendix 5**.

Risk	Likelihood	Impact	Mitigation
Leisure provision not fit for future	Medium	Medium	These proposals, and the continued evolution of One Leisure to support financial sustainability.
Failure to respond to changing consumer behaviour leading to drop in usage and income.	High	High	Continuation of One Leisure performance reviews to allow for clear decision making and targeted interventions.
Inability to adapt to change and keep up with direct competitors	High	High	Continuation of One Leisure performance reviews to allow for clear decision making and targeted interventions.
Affordability challenges if One Leisure continue to operate with a reliance on a financial subsidy	High	Medium	Review of wider One Leisure service as a non-statutory service and identification and collaboration with external health partners.
Lack of provision for wider health and wellbeing benefits of physical activity to residents	High	Medium	Continuation and development of Built & Playing Pitch Strategy capital investment plans to ensure One Leisure provide provision based

			upon demand over coming years.
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5.2 The mitigation against all these risks will be the ongoing monitoring of performance of the Transformed In-House operating model.

6. TIMETABLE FOR IMPLEMENTATION & ACTION

6.1 The Built and Playing Strategies were presented to Overview and Scrutiny and Cabinet in June 2023. The reports presented requested approval for three key actions, and these were:

1. The new strategies would be made available on the HDC website and used to support future negotiations with sports clubs, partners, and developers. – **Delivered**
2. HDC will review and utilise the actions within the Built and Playing Pitch Strategies to clearly identify a priority list for capital investment, either directly or by identification of external Capital pots that can be accessed. - **Delivered**
3. Finalise and present a capital investment plan for the development of existing facilities and creation of new assets to support physical activity and commercial revenue generation. – **Ongoing as part of the Long-Term Operating model activity**

6.2 In addition to this and as part of the original remit of the Interim Head of Leisure Services and within section 2.6 of this report it was to “Propose and implement long term operating models for One Leisure”. – **Discharged via this report.**

6.3 The Independent Review of the Long-Term Operating Model for One Leisure” enables the council to achieve two key priorities. Firstly, it allows the council to review what the best options for the short-, medium- and long-term operating model are and secondly through the strategic review (Built and Playing Pitch Strategies) of its existing leisure facilities what the district may require over the next 20 years. - **Delivered**

6.4 The completion and earlier endorsement by council of the Built and Playing Pitch Strategies allowed for an independent review of what capital investment would be recommended over the short, medium, and long term all of which is outlined in **Appendix 3 & 4**. This is extremely important, and it significantly influences the decision making surrounding the best suited operating model for One Leisure moving forward. **Delivered (June 2023) & capital investment plans discharged via this report.**

6.5 To allow for continued momentum and direction on the operating model and capital expenditure workstreams we would outline the key actions as follows:

1. That One Leisure are given approval to pursue and commence operation with the recommended short term “Transformed In-House” operating model.

2. Approval to proceed and commence work on OBC's and feasibility studies on capital investment identified within **Appendix 3 & 4**.
3. Provide a commitment that One Leisure will come back to Members with OBC's, and feasibility studies for final approval.
4. Approve that the medium to long term operating model for One Leisure will be reviewed in 3 years in line with recommendations within this report and by the independent consultant.
5. A further commitment that One Leisure will return to Members and update on actions against all the recommendations made by the independent consultant identified in **Appendix 5**.
6. Acceptance by Members that the Interim Head of Leisure has concluded item 3 of his original remit by proposing and implementing a long-term operating model for One Leisure.
7. Agreement from council that the capital expenditure plans identified by the independent consultant in **Appendix 3 & 4** satisfy the outstanding action (item 2 from 6.1 above) from the report tabled to council in June 2023.
8. Approve also that item 3 in 6.1 can be delivered through actions 2 & 3 in section 6.5.

7. LINK TO THE CORPORATE PLAN

- 7.1 The work undertaken on the Built and Playing Strategies and the Independent Review both strongly support the council's new corporate plan and its key priorities which are:
 1. Improving quality of life for local people
 2. Creating a better Huntingdonshire for future generations
 3. Delivering good quality, high value-for money services with good control and compliance with statutory obligations
- 7.2 The Built and Playing Pitch Strategies have allowed the council to evaluate its existing leisure facilities and that of the wider district to fully gauge how it should proceed, invest, and support other stakeholders with the information they need to gain funding to develop their own clubs and groups.
- 7.3 Wider than this it demonstrates a commitment from the council that it is prepared to review its existing stock of facilities and spaces and strategically identify what the district will require over the next 20 years to ensure it supports improving the happiness and wellbeing of its residents and thus their quality of life.
- 7.4 Through utilising the Built and Playing Pitch Strategies and reviewing the most suited short term operating model for One Leisure it has allowed senior officers to prepare and submit as part of this report (Appendix 3 & 4) a suite of capital investment options that can be considered by the council. As part of this it has been identified and recommended that we should move forward with feasibility studies and in the short to medium term the decarbonisation of the rest of the One Leisure facilities. Ramsey Leisure Centre was fully decarbonised in 2021.

- 7.5 Decarbonising the rest of the leisure facilities would support the corporate plan priority of lowering carbon emissions and working towards its target of becoming net zero by 2040. This would have a significant impact on both the council and One Leisure. It would enable One Leisure to trade more efficiently and as evidenced within the council's Climate Strategy the leisure facilities as part of the council buildings contribute significantly to its ongoing carbon emissions.
- 7.6 The recommendation proposed as part of this report is for One Leisure to continue with a "Transformed In-House" operating model. This is the feedback from the independent consultant, and this is based upon the work that has already been completed by the Interim Head of Leisure. This approach was geared around One Leisure working towards a commercially sustainable operating model which would be at no cost to the council as a non-statutory service.
- 7.7 Therefore, in the short term as a "Transformed In-House" operating model One Leisure will continue to offer good quality, high value for money services and compliance with statutory obligations. Moving forward and as part of the submission of the proposed capital investment priorities in **Appendix 3 & 4** and the recommendation of the "Transformed In-House" operating model the council would maintain control and oversight of what is best for the residents and the services the council provide them. This approach will enhance the quality, value for money and opportunities for residents and create a better Huntingdonshire for future generations.

8. CONSULTATION

- 8.1 To ensure that a thorough and robust independent review of One Leisure could be undertaken the consultant met with several senior council officers and elected members. This is outlined within **Appendix 6**.

9. RESOURCE IMPLICATIONS

- 9.1 The Interim Head of Leisure as stated earlier in this report was employed by the council in May 2022 and tasked with delivering three key priorities which centred around a review of One Leisure's commercial operation, implementation of a medium term financial and operational plan and lastly to propose and implement a long-term operating model for One Leisure.
- 9.2 Following the submission and approval by council of this report and its recommendations it would be requested that the council also note that the Leadership of the Leisure team will be moved onto a permanent basis which would allow continuity and consistency to proceed and implement the short-term operating model and feasibility works for capital investment and commercial activities.
- 9.3 In addition and to assist the One Leisure team and to ensure that projects/recommendations outlined in the independent review are delivered a new 18-month fixed term position of Leisure Programme Manager was created, commencing on 1st February 2024.

- 9.4 The Leisure Programme Manager is funded from the central council transformation fund and will focus on proving support to plan, prepare, and submit all relevant proposals back to council to enable the delivery of these projects on time and on budget once the plans have been established and approved.
- 9.5 One Leisure commits to return to council when feasibility and investment strategies have been developed for approval.
- 9.6 This Leisure Programme Manager role is dedicated to supporting One Leisure on the delivery of this Long-Term Operating Model and other committed activity.

10. HEALTH IMPLICATIONS

- 10.1 The independent review acknowledged the work undertaken by the Active Health team by providing sport and health related activities to promote a healthy population across the district.
- 10.2 The review identified that the Active Health team works closely with several partners to help provide these activities, such as young people holiday programmes, disability sports clubs and health walks. Support is also offered to local sports clubs to help provide access to leisure. The review highlighted the wider contribution Active Health can make with partners across the wider health per se and it remains a key delivery component of the local service operating model proposed and as part of this is a key opportunity for One Leisure.
- 10.3 It stated also that the service should seek to develop this function across a wider partnership landscape and exploit the opportunity that currently exist within the Cambridgeshire and Peterborough Integrated Care System. The leverage of additional funds to support longer term health conditions across communities covering the district will require close collaboration and work at a senior executive level. This systems leadership function could help pivot One Leisure into a more coherent community focused service: moving away from leisure centre facility management into a greater integrated leisure service delivering tangible outcomes across communities.
- 10.4 Ensuring the service has the capacity and capability to develop these partnerships and access the funding that is available for preventative and recovery interventions will not only improve the health and wellbeing of residents, but it will also position One Leisure as the provider of choice for multiple partners.

11. ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

- 11.1 A key priority for the council under its corporate plan and as stated previously within this report is its aim to lower carbon emissions.
- 11.2 The independent review and stemming from this the development of a capital investment programme has identified the possibility of

decarbonising the remaining One Leisure sites. This would support the corporate plan and the council's climate strategy and enable the council to work towards its net zero target by 2040. Within the climate strategy one of the key priority actions is to "review councils' assets to understand opportunities to improve the building fabric, energy efficiency and carbon impact on our buildings".

- 11.3 By undertaking feasibility studies on the remaining One Leisure sites will enable the council to determine the positive impact this will have towards its priorities within the corporate plan and climate strategy but also support One Leisure to provide an efficient, value for money service that is sustainable for future generations.

12. REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 Accepting the independent review and its recommendations allows One Leisure to operate under a "Transformed In-House" model providing the team the opportunity to continue its journey towards a self-sustaining service.
- 12.2 Embracing the Transformed In-House model of operation will provide One Leisure continuity and consistency in service delivery and allow its wider teams to focus on operational compliance, programming, health and wellbeing and commercial activities.
- 12.3 The capital expenditure programme and priorities provide the council an independent strategic plan that supports the short, medium, and long term of One Leisure and allows the council to make important and measured decisions with its finances.
- 12.4 Adopting the Transformed In-House operating model allows the council to retain control of its assets and provides the residents of Huntingdonshire with first class leisure facilities.

13. LIST OF APPENDICES INCLUDED

Appendix 1 – Independent Review – Full Report
Appendix 2 – Full Tender Scope for Independent Review
Appendix 3 – Capital Investment Priorities
Appendix 4 – Capital Investment Programme
Appendix 5 – List of Independent Review Recommendations
Appendix 6 – Consultation List

14. BACKGROUND PAPERS

Indoor and Built Sports Facilities Strategy and Playing Pitch and Outdoor Sports Strategy - Cabinet – 20th June 2023

CONTACT OFFICER

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Appendix 2 – Full Tender Scope for Independent Review

1. Short Term Operating Models (2-3 years):
 - a) An independent assessment of the UK leisure market post COVID-19
 - b) Outline of the subsequent challenges facing the leisure operating environment as a consequence of COVID-19, and based on this insight.
 - c) Provide an options appraisal on the different long term operating models best suited to One Leisure based upon the existing leisure market challenges. Risks and benefits should be clearly defined. The options appraisal should include, but not be limited to a review of:
 - i. Option 1 - In-house management (Current Model – One Leisure)
 - ii. Option 2 - In-house management via a Council owned company (wholly owned company (LATCo) / Teckal company)
 - iii. Option 3 - Tendering the leisure service as a service or concession contract.
 - iv. Option 4 - Creation of a Trust or not-for-profit entity
 - d) The options appraisal should be based upon the following principles:
 - i. financial modelling
 - ii. balancing the level of risk, the Council is willing to take
 - iii. the commercial return the Council wishes to secure or guarantee
 - iv. the social and wellbeing benefits the Council is seeking to achieve
 - v. the environmental factors that the Council expect to achieve through its Climate Strategy
 - vi. the level of control the Council would retain over both strategic and operational matters
 - e) In order to review the different options, the four options should be assessed across the following criteria (with the inclusion of any other factors you would recommend on agreement):
 - i. Set-up and transitional costs
 - ii. Level of operational risk transfer
 - iii. Asset management responsibility transfer
 - iv. Level of Council control
 - v. Scope for community involvement
 - vi. Potential to increase participation
 - vii. Access to capital and investment funds
 - f) The options should be quantified and evaluated against each other as follows:
 - i. Green: Most beneficial / advantageous to the Council
 - ii. Amber: Moderately beneficial / advantageous to the Council
 - iii. Red: Least beneficial / advantageous to the Council
 - g) Provide a presentation with supporting evidence and analysis around decision making to the Council outlining key recommendations for short to medium term operating models for One Leisure based upon 1a – 1f
 - i. The consultant will be required to present the recommendations to the Council's Overview and Scrutiny Committee and Cabinet meetings with support from the Interim Head of Leisure

2. Staff Review:
 - a) Complete an independent review of work undertaken to date on existing leisure centre workforce structures and payroll and provide assurance to the Council that the work undertaken supports a long-term operating model

3. Built Facility & Playing Pitch Strategies:
 - a) To review and utilise the actions within the Built Facility Strategy and Playing Pitch Strategy to clearly identify a priority list for capital investment.
 - b) Complete and submit the capital investment priority list to the Council with outline recommendations, illustrative costs and revenue benefits and proposed timelines.
 - c) Identify and evidence potential opportunities for utilising external funding opportunities to deliver the capital investment programme

4. Medium (3-5 years)- & Long-Term Operating Models (5+ years):
 - a) Carry out a high-level review of the Built Facility Strategy and Playing Pitch Strategy and provide the Council with outline recommendations on the medium- and long-term operating models for One Leisure. This should be centred around the required capital investment into the Councils leisure facilities as outlined by the consultant and within section 3. This should also include illustrative costs and subsequent revenue projections.

Appendix 3 - Capital Investment Priorities

Theme	Action	Outcome
Decarbonisation	<p>Feasibility Study of Huntingdon Dry Side site.</p> <p>Feasibility of all other sites in line with investment strategy.</p>	<p>Implementation of decarbonisation plan at Huntingdon Dry Side site</p> <p>Implementation of decarbonisation works aligned to agreed investment strategy.</p> <p>Supports HDC Climate Strategy; and financial sustainability of One Leisure.</p>
Swimming Pools	<p>Commission the development of an Aquatics Strategy to set-out the long-term options for aquatics to inform the strategic investment and decisions re: new/replacement swimming pools.</p> <p>Explore the viability of an interim solution for retaining/increasing capacity and community access at Sawtry Swimming Pool.</p> <p>Commission a feasibility study to develop an agreed vision for a sports & health hub at Huntingdon with the Town and County Councils, health partners and other stakeholders.</p> <p>Commission feasibility studies to upgrade swimming pools at St Neots and St. Ives to meet increased future demand. The study for St Neots to include feasibility of relocation of the leisure centre in consideration of the Local and Neighbourhood Plans.</p> <p>On completion of feasibility studies, commission OBC's as determined by feasibility findings; the indicative priority order would be:</p> <ol style="list-style-type: none"> 1.Huntingdon 2.St Neots 3.St Ives 	<p>Aquatic Strategy produced setting out a vision and long-term options for developing and sustaining aquatic activity in the HDC area.</p> <p>Interim arrangement agreed with CMAT to access & operate Sawtry Swimming Pool and meet demand and access targets.</p> <p>Vision agreed with stakeholders with potential disposal of old wet side facility and re-provision of new pools integrated with the dry side site that includes a community health offer.</p> <p>Replacement of ageing pools will ensure current and future demand is met by increasing capacity, improving the customer experience, protecting existing and growing revenues.</p> <p>Reprovision of the entire leisure centre at St Neots to a new site would provide a modern 'fit for future' centre with minimal disruption to service. HDC's capital capability would need to be assessed if this option was brought forward which then opens the potential for a DBOM solution and a review of the service operating model at that point.</p>
Sports Halls	<p>Explore the optimum location of an additional 4 court sports hall to address identified shortfall, potentially as part of the sports & health hub concept at Huntingdon.</p>	<p>Addresses identified shortfall and the creation of a multi-sport facility.</p>
Fitness Centre	<p>Develop a strategic plan to support growth and meet demand of 500 additional fitness stations across the district.</p>	<p>Addresses identified shortfall in provision.</p>

	<p>One Leisure to explore opportunities to distribute old fitness equipment to community facilities/hubs in more isolated communities.</p> <p>Review and audit current fitness equipment provision and highlight potential areas for growth to offset shortfall identified in the IBS.</p> <p>Benchmark current One Leisure fitness centres versus industry standards to ascertain utilisation and inform future provision.</p>	<p>Potential to create local access to fitness equipment in more isolated communities.</p> <p>Provides an evidence base for 'right sizing' provision.</p> <p>Provides an evidence base provision.</p>
Dance Studios	<p>Develop a short-term refurbishment/improvement programme for existing dance studios to address demand.</p> <p>Assess the viability of creating extra studio space at Huntingdon in current soft play area and transfer kit to St Ives Indoor.</p> <p>Explore options for creating new studio space to support increased levels of physical activity and to provide greater retention opportunities over medium to long term in line with emerging capital investment plans.</p>	<p>Refurbishment plan developed and implemented.</p> <p>Additional studio space created within existing facilities.</p> <p>Medium – long term plan developed for new studio space across the One Leisure estate with increased participation and customer retention levels.</p>
Football Pitches (3G -ATPs)	<p>Liaise with Football Foundation and other stakeholders to commission a feasibility study to develop a new 3G pitch at St Ives Outdoor as the preferred option.</p> <p>Liaise with Abbey College/Football Foundation re: operating agreement and refurbishment of small ATP at rear of the Ramsey Leisure Centre to create a small 3G pitch with community access.</p> <p>Submit a grant funding application to the Football Foundation for the construction of a new full size 3G pitch at St Ives and a small 3G at Ramsey.</p>	<p>Feasibility study completed for new 3G pitch at St Ives.</p> <p>New operating agreement in place for the small 3G pitch at Ramsey.</p> <p>Grant funding applications submitted and approved.</p> <p>Delivery of a new 3G pitches.</p>
Commercial Opportunities	<p>Commission design work for the refurbishment and re-modelling of the café/bar at St Ives Outdoor.</p> <p>Commission a feasibility study to explore other revenue generating activity related opportunities across the One Leisure estate and or HDC land e.g., Golf Driving Range or Adventure</p>	<p>Completion of re-modelling and design proposals of the café/bar at St Ives Outdoor.</p> <p>Feasibility study completed with options to move on to OBC phase.</p>

Golf at St Ives Outdoor; Laser Tag;
High Ropes etc.

Where financial viability is evident
progress schemes to OBC stage.

Complete OBC's as determined from
feasibility work and secure funding for
full business case and delivery.

Appendix 4 – Facility Investment Programme Options

Action	Short Term	Medium Term	Long Term	Indicative Capital Cost
Decarbonisation Feasibility (x3 sites)	X			£400k
Deliver Decarbonisation Scheme (x3 sites)	X	X		£10m
Produce an Aquatic Strategy	X			£10 - £12k
Digital Innovation	X			£20k
Sawtry Swimming Pool Interim Arrangement	X	X		CMAT Investment
Huntingdon Sports & Health Hub Feasibility	X			£25k
Huntingdon Sports & Health Hub Delivery		X	X	£6.7m ¹ - £11.56m ²
St Neots Leisure Centre Feasibility	X			£25k
St Neots Leisure Centre Delivery		X	X	£12.36m ³
St Ives Leisure Centre Pool Expansion Feasibility	X			£20-25k
St Ives Leisure Centre Pool Expansion Delivery		X	X	£5.85m ⁴ - £7.5m ⁵
Ramsey Leisure Centre Gym Expansion	X			£50k - £70k
Sports Halls Feasibility	X			£3k - £5k ⁶
Sports Halls Delivery		X	X	£2.86m ⁷
Fitness – Additional Stations	X	X	X	£200k - £600k ⁸
Dance Studios – Refurbishment Programme	X	X		£23k - £28k
3G Pitches Feasibility	X			£20k - £25k ⁹
3G Pitches Delivery	X	X		£1.4m ¹⁰
Commercial Opportunities				
• Café Bar Refurbishment Design & Delivery	X			£35k - £40k
• Feasibility of Commercial Opportunities	X	X		£10k - £15k
• Delivery of Commercial Project			X	£300k - £1m ¹¹

¹ 6-lane x25m pool plus secondary pool

² 4 court sports halls

³ New facility - 6-lane x25m pool plus leaner pool, 4 court sports hall, 100 station health & fitness gym, 2 studios.

⁴ Assumes a new 6-lane x25m pool and an allowance for retro-fit.

⁵ Allowance for retrofit construction & additional spectator seating.

⁶ If not feasible to provide at Huntingdon Sports & Health Hub

⁷ If not delivered at Huntingdon Sports & Health Hub

⁸ Cost variation determined by recipient of equipment i.e., private clubs etc.

⁹ Potential Football Foundation grant funded.

¹⁰ Potential Football Foundation grant funded.

¹¹ Cost determined by feasibility work, and Return on Investment potential.

Appendix 5 - List of Independent Review Recommendations

It should be noted that there are a number of variables that need to be progressed as highlighted within this review in order to determine the long-term operating model and take the service forward; a 3-year Action Plan of recommended actions is included as a timeline at Appendix 6.

Recommendations from this Independent Review of the Long-Term Operating Model for One Leisure are presented for consideration below; It is recommended that:

- The immediate short term operating model for the Council's leisure function should be an adequately resourced and empowered Transformed In-House service.
- Review the membership architecture to provide enhanced customer choice and invest in digital innovation to improve the customer journey.
- Determine the senior management arrangements within One Leisure, necessary to lead and drive service transformation.
- Establish a set of Transformation Design Principles and an Outcomes Framework for the service.
- Produce or commission a financial plan to accompany the Indoor Built Facility Strategy and Playing Pitch Strategy to conclude that stage of work.
- An Early Market Engagement exercise should be undertaken in parallel to the commencement of the Transformed In-House service, to provide assurance to the Council as part of due diligence and help inform future arrangements.
- Conclude the Terms & Conditions Audit as soon as practically possible and assess the on-going implications for One Leisure.
- Upon the conclusion of the Early Market Engagement exercise and the Terms & Conditions Audit, re-evaluate the Local Authority Trading Company option and market solution.
- Implement the proposed staffing structure and the associated specific actions:
 - The proposed staff review should be progressed commencing with an Equality Impact Assessment in respect of staff potentially impacted by the review.
 - Develop a comprehensive stakeholder engagement plan to support the review.
 - Establish a cohesive and resourced plan to deliver the staff review in conjunction with internal business partners.
 - Develop a key outcomes framework that provides clarity of task and targets for the service and staff.
 - Develop a Learning & Development Plan that supports career progression and delivery of service objectives.

- Develop a robust stakeholder communications plan that addresses both staff and customer communications on all relevant aspects on the change process to ensure business continuity.
 - Consider developing a set of design principles underpinning the staff review and any subsequent transformation phases.
 - Develop a contingency plan within the 2024/25 budget planning process to reflect any potential implementation delays and subsequent impact on delivering the projected efficiency target.
 - Undertake a post project implementation review to assess if the proposed change has met its objectives and produce a learned document to support on-going improvement.
-
- Develop a structured approach to effectively engaging with the Cambridgeshire & Peterborough Integrated Care System that creates opportunities for One Leisure to broaden its delivery of health improvement interventions.
 - Develop an Aquatic Strategy that sets the future direction of swimming and water-based activity.
 - Commission decarbonisation feasibility studies across the One Leisure estate.
 - Develop a programme of feasibility studies for potential capital investment schemes across the leisure estate aligned to the Indoor Built Facility Strategy, Playing Pitch Strategy and commercial opportunity.
 - Review and manage the delivery of the proposed 3-year Action Plan.

Appendix 6 - Consultation List

Elected Members	
Stephen Cawley	Councillor and Overview & Scrutiny Member
Lara Davenport-Ray	Executive Councillor for Climate and Environment
Brett Mickelburgh	Executive Councillor for Finance & Resources
Simone Taylor	Executive Councillor for Leisure, Waste and Street Scene
Officers	
Leigh Allayer	Business & Operations Manager
Nicki Bane	Strategic Human Resources Manager
Paul Fox	Interim Corporate Director – People
Gregg Holland	Interim Head of Leisure Services
Clara Kerr	Chief Planning Officer
Oliver Morley	Corporate Director – People
Pam Scott	Regeneration and Housing Manager
Neil Sloper	Assistant Director – Strategic Insights and Delivery
Karen Sutton	Director of Finance and Corporate Services
John Taylor	Chief Operating Officer
Zoe Warren	Council Tax and Business Rates Manager