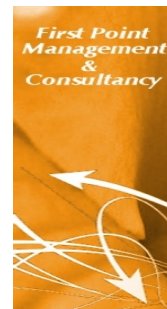


# Independent Review of the Long-Term Operating Model for One Leisure



*First Point Management & Consultancy Limited*

*December 2023*



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# Executive Summary

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The leisure management function of Huntingdonshire District Council has historically been delivered as an in-house service and was re-branded in 2010 to operate as *One Leisure* as is the case currently. Following the appointment of the Interim Head of Leisure Services some 18-months ago, the service is in the early stages of transformation, taking a more commercial approach to service delivery and working towards post pandemic sustainability.

This review has explored delivery options open to the council over the short, medium and longer term. In addition, the recently adopted Built Facilities and Playing Pitch Strategies provide an assessment of future need as the local population continues to grow. These strategies have been considered alongside how the potential capital investment priorities could be funded and help support the sustainability of One Leisure. However, it should be remembered that these strategies span two decades and are for the entire district not just the Councils' facilities and its leisure offer.

The maturing of the leisure market over the past 30 years has seen the marketplace shift from a near monopoly of local authority provision to a much more diverse delivery landscape across the country, with the emergence of charitable leisure trusts, hybrid trusts and the private sector. More recently, in-sourcing and the implementation of the Local Authority Trading Company (LATC) model have gained some popularity.

It is unquestionable that the impact of the Covid-19 pandemic on the leisure sector has disrupted and changed what was, pre-pandemic, an established and a mature market. Business recovery has been further hampered by the spike in energy costs and inflation that has not only increased operational costs but pressurised income as the cost-of-living crisis has impacted customers disposable income choices. The combination of all these factors has resulted in operators becoming increasingly risk adverse and reduced the opportunities to transfer risk and liability to the operator. Consequently it is considered that there is unlikely to be sufficient market tension currently to secure a best value outcome in the short term.

Recent changes to the treatment of value added tax by HMRC for in-house leisure operations, has removed this advantage previously enjoyed by non-profit distributing organisations (such as charitable trusts) over the in-house service. However, Non-Profit Distributing Organisations such as charitable trusts or carefully established LATC's have the distinct advantage of being able to secure 80% rate relief; delivering the service through this model in Huntingdonshire has the potential to reduce the operational cost by c.£500k.

Despite the attraction of seeking a market solution and an operator that may be able to avail itself of the substantial rate relief the Council are in the midst of a Terms & Condition Audit where there is currently an unquantifiable and potentially significant financial liability that is likely to increase uncertainty amongst external operators that are already risk adverse. This current issue is particularly pertinent, as external operators will often be seeking to implement changes to employment terms over the medium to long term to provide greater flexibility and reduce operational costs. If a LATC model was deployed to simply take advantage of the potential without actually delivering the charitable objectives stated within its Articles of Association, it runs the risk of being challenged.

Establishing a local trust does not negate the need to undertake a procurement exercise. A charitable trust must be independent and not influenced by the Council. A newly established trust is unlikely to be able to compete successfully in a competitive process as it will not have the necessary infrastructure or financial standing to procure the necessary support and services required to bid for a large contract even before mobilisation issues are considered.

It may be possible to create a subsidiary of the Councils existing trading company. However, the trading company does not currently manage high volume transactions or deliver customer facing services, therefore all the infrastructure requirements would need to be established in a similar way to that of a local trust and it offers no distinct advantage over the short term. It is therefore recommended that if this was a delivery model

the Council wished to deploy now or in the future a new LATC should be established; this would still negate the need for a procurement event.

A transformed in-house option is the recommended approach for the short term, this should allow sufficient time for the risk and uncertainty surrounding the Terms & Condition Audit to be resolved, and for the service to optimise the service before considering medium and long-term delivery options. It is unlikely that established operators would be interested in a short-term contract, as a 10-year term with a potential extension period is commonplace. Where capital investment is sought through the contract a term of 25-30 years may be expected.

For One Leisure to continue with and pursue a transformation agenda, it will be essential it is appropriately resourced and continues to be led and driven by its management team. The proposed staff review should be progressed as it is designed to make the service more effective, more commercially focussed and ultimately more financially sustainable that provides best value.

Proactively developing meaningful partnerships with the health sector and the regional Integrated Care Board is essential for both One Leisure and the Council per se. The importance of a close relationship between public leisure and public health is increasingly acknowledged as an important element of future service provision and will require a broadening of the leisure offer into community settings, which will in turn need One Leisure to utilise its expertise and think beyond the leisure centre.

The Transformed In-House model is heavily reliant on some key individuals to drive the service forward. This in itself creates a continuity risk, should these key roles be vacated; recruitment in local government is proving to be challenging currently across the country and recruiting to a position at this level is unlikely to be a quick process and risks momentum being lost. Additional capacity either internal or external will be needed to support the transformation and provide delivery assurance.

Undertaking an Early Market Engagement exercise will assess operators' growth appetite and stance on contract terms, risk transfer, investment and the probable financial returns or subsidy requirement and help inform the optimum approach for the future. This exercise should be considered to provide additional reassurance to the Council as part of its due diligence obligations, this could be done in parallel to the on-going Terms & Conditions Audit. It is good practice to periodically review the operating model.

The Council has a lead facilitation role to play in implementing and addressing the deficiencies in provision identified in the Built Facilities and Playing Pitch Strategies as far as possible. However, clubs and other sport and leisure organisations must be proactive in fund raising and securing third party grant funding themselves also. These strategies span two decades, therefore there is a need to consider capital investment over the long term and be responsive to opportunities and changes in future demand projections and market trends.

It will be important to invest in existing facilities, refurbishing, re-configuring, expanding or replacing completely. The decarbonisation of One Leisure sites has commenced at Ramsey and should be a priority, continuing through the leisure estate at pace. Major refurbishment or new build schemes should consider adopting the most carbon efficient construction methods such as building to Passivhaus standards; where the potential net benefits of this approach can be assessed within the Outline Business Case.

Feasibility work on existing One Leisure facilities is required to determine what challenges and options exist, it is suggested this starts as soon as possible so the scale of investment is quantified, a project pipeline developed and capacity to deliver is in place and managed appropriately. Capital investment does not necessarily need to be conflated with decisions over the service delivery model. The assets will remain in the ownership of the Council under most circumstances and access to the preferential lending rates of the Public Works Loan Board will remain accessible to the Council.

It is not considered that capital investment is likely to be 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 capital funding partnership is developed with health or; a substantial scheme is proposed

such as a new leisure centre where a Design Build Operate and Maintain solution become the preferable option.

The Transformed In-House model provides the Council with a realistic option for the immediate short-term, based on an assessment of market conditions, the unquantified risk and liabilities associated to the Terms & Conditions Audit, and in consideration of the service and corporate capacity to delivery change currently. Undertaking an Early Market Engagement exercise, without commitment to a procurement event will help inform future delivery arrangement whilst the transformation seeks to optimise the service, as the post pandemic leisure market recovery continues.

# Background

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## Context

Huntingdonshire District Council (HDC) has commissioned First Point Management & Consultancy Limited (First Point) to undertake an independent review of its in-house leisure function operating under *One Leisure* to consider initial transformation work undertaken in the context of determining the most appropriate future operating model for One Leisure.

The review is broken into four key areas:

- Short Term Operating Models (2-3 years)
- Staff Review
- Built Facilities & Playing Pitch Strategies
- Medium (3-5 years)- & Long-Term Operating Models (5+ years)

The client requirements are included as Appendix 1.

## Huntingdonshire District Council Headline Statistics

Huntingdonshire is a large (900 square kilometres) and predominantly rural area. However over 40% of the population live in the three largest market towns of St Neots, Huntingdon, and St Ives.

With an estimated 180,800 residents and 76,900 households in 2021, the population has grown significantly over recent decades (up by 47% since 1981). The district has an ageing population with 36,500 residents aged 65 plus, up by 33% since 2011 alone.

The latest estimates indicate that the number of residents in the district born outside the UK was 22,400 at March 2021 (12.4% of all residents). Poland is now ranked as the most common non-UK country of birth for the district's residents, followed by the United States and Romania.

Most people in the district identified their ethnic group within the 'White' category (92%) in 2021. Around 3% identified their ethnic group within the 'Asian, Asian British or Asian Welsh' category, 2% within the "Mixed or Multiple" category, 2% within the 'Black, Black British, Black Welsh, Caribbean or African' category and the remaining 1% identified their ethnic group within 'other ethnic groups'.

In 2021, most of the district's residents described their health as at least 'good' (84%), around 12% self-reported their health as 'fair', with the remaining 4% of the population describing themselves as having 'bad' or 'very bad' health. An estimated 16% of the population were disabled in 2021, with 6% stating their day-to-day activities were limited a lot.

The majority of Huntingdonshire residents in 2021 travelling to a workplace or depot travelled more than 10 kilometres (51%) and just over half (52%) of those who travelled to work were drivers or passengers in a car or van. Just over 6,000 residents travelled to work on foot (7%).

There are pockets of higher deprivation within the district, but most areas have relatively low levels, as measured by the 2019 Indices of Deprivation. Economic activity (64% of those aged 16+) and employment rates (61.6% of those aged 16+) are both higher than the national average.



## Corporate Plan 2023 - 2028

The Council has recently launched a new Corporate Plan 2023 – 2028, within the Plan it states:

*This Corporate Plan to 2028 will inform everything we do as we refocus our vision, review our priorities and work with staff, residents, partners, communities, and businesses to lead Huntingdonshire into the future with confidence.*

*It will not always be easy. With a decreasing pot of government funding, rising costs and inflation and greater pressure on our services we will need to find ways to save money or generate income in order to continue providing high quality services.*

*We are also facing the threat of climate change. This requires decisive action and fundamental changes in how countries, cities and communities live and work. Our recently adopted Climate Strategy and action plan sets out how we can be better prepared to adapt to the impacts of climate change at a more local level. We will apply a “green lens” to all our decision making – embedding the climate and green agenda into all we do and considering environmental impacts and opportunities to improve the environment*

*As we grapple with the real issues facing us, we must be bold and set aspirational targets that challenge us to make a difference, whether that is by doing things directly ourselves or trying to influence change on a wider scale. With that in mind, this Corporate Plan outlines our three key priorities:*

Priority 1 - Improving quality of life for local people:

1. Improving the happiness and wellbeing of residents
2. Keeping people out of crisis
3. Helping people in crisis

Priority 2 - Creating a better Huntingdonshire for future generations:

1. Improving housing
2. Forward thinking economic growth
3. Lower carbon emissions

Priority 3 - Delivering good quality, high value-for money services with good control and compliance with statutory obligations:

## One Leisure

The Council provides an in-house leisure offer through its ‘One Leisure’ brand that was established in 2010, it is understood that 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
- Huntingdon Leisure Centre
- Ramsey Leisure Centre
- Active Health & Sport Development teams
- One Leisure Direct Call Centre (based at Huntingdon Leisure Centre)

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. 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. It has been suggested that some of the financial projections were overly ambitious and whether or not the return on investment was achieved as envisaged is unclear.

## *Final Report*

Following the completion of the capital investment and rebranding 2015 – 2019 the Council commissioned an independent review 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.

The completion of the actions outlined within the independent review 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, the subsequent restricted conditions placed upon re-opening facilities with reduced capacities and on-going business recovery.

An interim Head of Leisure Services was appointed in May 2022, now extended to March 2024 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 long term operating models for One Leisure

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.

# Review Methodology

## First Point Management & Consultancy Limited

Established in 2006, First Point Management & Consultancy is a micro consultancy practice with over 30 years of public and private sector experience, providing a flexible interim management and consultancy service, utilising trusted professional and expert associates as necessary.

We have a refreshing and direct approach combining extensive senior management and consultancy experience across the leisure industry bringing together objective and analytical skills with operational expertise. We offer our clients, honest and pragmatic advice, providing professional opinion and solutions that can help influence and transform organisations in a positive and sustainable way.

Regardless of whether it is a discrete project, interim management or transformational support, we apply the most relevant best practice working within the context of existing and emerging policy combining this knowledge with our practical experience of what actually works.

We understand and appreciate that all our clients have different needs and challenges. Our extensive knowledge, expertise and understanding of the leisure sector within local government, not for profit and commercial context across the UK.

As a micro consultancy, we provide a bespoke and dedicated service to our clients, ensuring the named consultants are committed to working on the project, and will not use 'back-office' junior consultants. Collectively we have the skill sets and experience that will deliver the specific requirements of the Council and provide a quality assurance and sense check derived from our collective and extensive experience in the sector both at a strategic and operational level.

## The Approach

Following the Inception Meeting in mid-September 2023, in order to develop and understand the existing service, facilities and proposals for the future a site visit was facilitated in early October 2023. The project was designed to be delivered in key stages for each key element of the client requirements as illustrated below.



In response to the detailed client requirements across the four areas for consideration the approach taken is summarised below. At the request of the client the assessment of the proposed Staff Review was advanced in the programme and was also completed in early October 23.

In addition, consultation with senior officers was undertaken to provide some different perspective on the future operational model for leisure, the challenges and opportunities, a list of consultees is contained at Appendix 2.

### **Short Term Operating Models (2-3 Years)**

Through our network and connections with established leisure operators and based on recent experiences in a post pandemic environment, we will provide an assessment of the current market conditions and challenges facing the sector.

Delivery Options were considered as set out in the Client Specification, following dialogue with the client on the current operating model and an assessment of its performance in the current operating environment and as projected by the market over the next 2-3 years. The financial modelling will be based upon the current operation as a benchmark and assessed at a high level across other options based on opportunity/risk and our experience of other models. The collective experience of each of the delivery options described in the Client Specification, will be applied as part of the assessment including the in-house model, establishing a Local Authority Trading Company, the charitable trust model and outsourcing.

### **Staff Review**

As referenced above this element of the project was advanced at the request of the client and undertaken by reviewing the proposals developed by the client and applying our practical and operational experience of implementation in a local authority and leisure management operations. We have also considered the challenges and complexities of transformation within the public sector.

### **Built Facility & Playing Pitch Strategy**

The strategies commissioned by the Council were reviewed and considered in the context of latent demand, broader developments, population growth, observations from the site visits and engagement with key stakeholders. Recent experience suggests the current climate for capital projects is volatile, primarily associated to rising construction and labour costs; therefore, any illustrative provided can only be valid as 'a moment in time' and will need extensive and additional professional support to develop design concepts, financial appraisals and robust business cases to support each proposal.

The volatility of the construction sector is mirrored to some extent by the changing landscape of capital financing options and potential external funding opportunities for leisure schemes, therefore the 'moving feast' of opportunities will need to be kept under constant review as current funding streams close and new opportunities emerge that can support pipeline projects.

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

The approach taken was to apply our experience of capital investment programmes and how this may influence medium- and long-term operating models given the timescales to bring projects to fruition given the complexities of procurement, planning and financing alongside the prevailing market conditions.

# Summary of Technical Matters

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## Qualifications

At this stage, no decisions have been taken by the Council in terms of its future operating model over the short, medium or long. First Point have been commissioned to provide an independent review of the future delivery models available to the Council and make recommendations for the future delivery of its leisure function currently delivered directly by its in-house service (One Leisure).

It should be noted that First Point are not lawyers or VAT specialists, therefore the findings and recommendations of this review are based on our professional experience of the sector and are presented in good faith. We would always recommend that the Council consult with its own legal and VAT officers as part of its own due diligence taking expert external advice as deemed necessary.

Legislation, regulations and guidance from government departments and HMRC are always subject to change therefore it is important that the Council considers any amendments or fundamental change that may be made in the future.

HDC's leisure services have always been delivered in-house, albeit re-branded as One Leisure in 2010 and subject to realignment to capital investment through the subsequent decade. More recently the service has been responsive to a changing landscape within the sector as part of post pandemic recovery.

Like many local authorities, the Council has been experiencing increasing financial pressures on its revenue budgets and needs to reduce costs wherever possible. It has been widely reported that many public leisure facilities are at risk of closure, Gateshead being among one of the first authorities to close a facility due to the pressure on its finances.

The provision of leisure services is not a statutory requirement, and if the Council is to continue to provide the public services it needs to reduce costs to an affordable level.

## Legal Considerations

Local authorities have to act within the powers granted to them by Parliament, failure to do so can result in their actions being deemed to be ultra vires and therefore at risk of challenge via Judicial Review. A contract or other arrangement such as issuing a lease or licence to operate that has been granted outside the Council's powers can be declared null and void.

The general power of competence by section 1 Localism Act 2011 is generally accepted as providing a direct power to enter into contracts and grant leases to third party operators of the type relevant to this exercise, including a Local Authority Trading Company (LATC).

## Procurement

It is both prudent and good practice for local authorities to periodically assess service delivery options to ensure the duty of Best Value is maintained, reviewing options every 3-5 years is not uncommon giving due consideration of market conditions at the time and service performance. Decisions on delivery options do not need to be permanent, as circumstances may change over time.

Should the Council decide to opt for a market solution at some point, contract awards would need to adhere to the Public Contracts Regulations 2015 (PCR). However, whilst PCR remains in place currently it is anticipated that primary legislation may be introduced in 2024 or later, therefore it is something to monitor on the horizon. Adopting a market solution through a procurement exercise would require the Council to follow a procedure for seeking market interest, develop a specification, evaluation criteria and award notification, all of which will need to be a transparent and competitive process unless the Teckal exception applies.

## **Teckal**

The Teckal exemption provides for the Council to award a contract and lease to an entity that it owns and controls without any competition, subject to compliance with HDC's own Standing Orders. The Teckal exception could apply to the LATC option, where competition is then not required as the Teckal exemption acknowledges that if a contracting authority contracts with a company that it owns and controls, this is effectively no different from the services being provided in-house. The government's Procurement Green Paper did not propose changes to the Teckal exemption; therefore, it is likely that this remains an option to local authorities regardless of any reforms to the PCR in the immediate future.

Regulation 12(1) of the PCR states that a public contract falls outside the procurement rules where all of the following conditions are met:

- the contracting authority (e.g., the Council) exercises over the legal party concerned (e.g., a wholly owned subsidiary) a control which is similar to that which it exercises over its own departments;
- more than 80% of the activities of the controlled legal person are carried out in the performance of tasks entrusted to it by the controlling contracting authority;
- there is no direct private capital participation in the controlled legal person.

The PCR also confirm that contracts with a wholly owned subsidiary which is owned by more than one public authority are not subject to procurement rules, nor are contracts granted by the wholly owned subsidiary to the parent local authority (e.g., contracts for support services).

## **In-House Service**

There are no specific implications under PCR, if the Council wish for the services to remain in-house, although the need to demonstrate value for money and the Duty of Best Value still apply.

Good practice would be for the Council to develop a detailed specification for the in-house service with key outcomes, this is not intended to be a micro-management tool but something that is transparent in terms of performance and accountability.

## **Transferring assets to the LATC**

Section 123 of the Local Government Act 1972 provides the Council with the power to dispose of property including the license or leasehold interest in its leisure assets currently operated in-house. The Council will need to demonstrate that entering into a transaction will meet its obligations as below:

- Councils' duty to obtain value for money,
- Councils' statutory duty to achieve best consideration reasonably obtainable,
- Councils' standard procedures with respect to the disposal of land and
- Councils' statutory duty to deliver Best Value with regards to its functions.

## **Value Added Tax (VAT)**

Historically the supply of sporting services was exempt from VAT if those services are provided by an eligible body (essentially a non-profit distributing body that is not subject to commercial influence). However, the UK made a distinction between a non-profit distributing organisation (NPDO - e.g., a charitable trust) and those governed by public law (e.g., a local authority). The UK's application of VAT regulations disadvantaged in-house provision to some extent.

In July 2017 Ealing Council won a case against HMRC at the European Court of Justice claiming that its supplies of sporting services should also be exempt from VAT, the court found in favour of the Council and that HMRC's differentiation between non-profit making bodies and public bodies was not compliant with EU VAT law.

A recent policy paper issued by HMRC, states that local authorities in the UK are no longer required to pay VAT on leisure services provided to members of the public. This change in VAT treatment was introduced in

March 2023 and is applicable to in-house leisure services for gym memberships, sporting activities, and other facility visits.

Previously, local authorities were required to treat these supplies as business activities for VAT purposes and either charge their customers VAT at the standard rate or apply the exemption. However, following the legal challenge by a number of local authorities (including Ealing), the courts have found that local authorities' leisure services are provided under a statutory framework and can be treated as non-business for VAT purposes.

As a result of this ruling, local authorities can review their position and apply the non-business treatment to their supplies of leisure services. Additionally, there is the potential for consideration of submitting claims to HMRC for overpaid output tax in previous years.

This change in the treatment of VAT between different providers has changed the landscape to some extent. By removing the net income benefit of different VAT treatment between in-house delivery compared to an external organisation has 'levelled the playing field' to some extent. However, this may also impact on the ability of local authorities to recover VAT on their expenditure and potential implications for capital expenditure will need to be carefully considered in the wider context of the local authority's VAT position.

It is recommended that the Council seek specialist VAT advice to determine the net benefit of a claim to HMRC for output VAT paid in previous years and any broader VAT implications.

### **NNDR (National Non-Domestic Rates)**

The Council does not benefit from any relief on NNDR for its leisure facilities managed by One Leisure. Charitable organisations and other Non-Profit Distributing Organisations (NDPO) including carefully constituted LATCs with charitable objectives would be entitled to 80% rate relief, HDC's Discretionary Rate Relief Policy (2023-2026) states it can grant the additional 20% at its discretion, taking into consideration the following:

- The extent their activities meets the Councils' corporate objectives and a demonstrable impact to the local community.
- The extent to which the organisation is local to Huntingdonshire and the benefits of the Authorities residents.
- The financial position of the applicant.

Many of the major leisure operators have charitable status in order to access the 80% relief, a LATC would only be able to access the discretionary relief. However, under the Business Rates Retention Scheme (2013), the granting of discretionary relief effectively results in the Council funding all or some of the 20% relief itself and offers limited financial benefit to the Council.

Following a recent valuation, the NNDR for the leisure estate is currently £1,117,500 in total. Many leisure operators are established with charitable objectives so delivery via this model could potentially reduce the operational cost by a net sum of c.£536,000. The discretionary rates relief policy is capped at £51k; all of the leisure facilities are above this threshold and would therefore not qualify for consideration. The rateable value of each site is contained at Appendix 3.

### **Consultation Requirement**

The need for public consultation is something for potential consideration particularly if it is proposed to change the delivery model or fundamentally change the service, given that leisure is a customer facing service. Although the core function is unlikely to change the customer experience to any significant extent a change in delivery model may warrant further consultation to establish the key priorities of the new operator, such as approach to and its policy on accessibility.

The Council's duty to undertake consultation is derived from:

- statute (section 3(2) of the Local Government Act 1999 (LGA 1999);
- a contractual commitment to do so;
- any policy or stated promise/representation that it would consult (in a council document, website, press notice or other public document) which will give rise to a potential legitimate expectation of consultation;
- Council policies.

### **Conclusion - Technical Matters**

The delivery options available to the Council, are bound by legislation and directives as set out in this section (above). The recent change in the treatment of VAT by HMRC for in-house leisure operations, eliminates one of the advantages that NPDO operators have historically had over in-house provision. The complexity of legislation varies according to the selected delivery model; however, all are considerations of determining that model.



# Post Pandemic Market Assessment

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## Post Pandemic Leisure Market

This section provides an assessment of the prevailing post pandemic market conditions as the sector continues on its recovery journey following the significant negative affect of the COVID-19 pandemic; seeking to inform recommendations for the short-term operating model.

## Limitations

There are some limitations to this market assessment of business recovery:

- data collection on a macro scale takes time and is reliant on Sport England and/or industry bodies undertaking a comprehensive study of the market;
- a soft market testing exercise will consume additional resources to undertake and is unlikely to provide a guaranteed position as operators are likely only to respond in generalities in order to protect their commercial position;
- only by investing in a full procurement exercise will the market response be certain, procurement on this scale is a costly exercise and there is no guarantee that procurement will secure any significant benefits to Council in the current climate;
- the assessment of market conditions is based on the data available, informal dialogue with operators' observation of current trends and market activity.

## Market Assessment

The impact of the COVID-19 pandemic has significantly changed the leisure market. Pre-pandemic the sector was buoyant across private and public organisations and both the private and public fitness market was booming.

This assessment focusses on the public sector, facilities provided by the local authority and operated by various organisational forms (in-house; arm's length Local Authority Trading Company (LATC), independent charitable trusts, social enterprises and the private sector).

Pre-pandemic many public sector contracts were seeing operational subsidies reduce as revenues grew and although not the norm, a number of contracts let to operators as a 'commission contract' whereby the operator paid the local authority a fee to operate its leisure facilities.

As Covid took a grip on the country, the government introduced a series of 'lockdowns'; from March 2020, these enforced closures of leisure facilities had a catastrophic impact on the sector. When facilities were permitted to re-open later in the year, strict operating restrictions were imposed, with significantly reduced capacities, social distancing, customers being required to pre-book sessions, and enhanced cleaning regimes being introduced were all factors that contributed to income being dramatically reduced as operating costs increased. These factors coupled with a change in customer behaviour, including the increase of outdoor activity and digital activity programmes, the loss of customer confidence, (particularly vulnerable users) resulted in a significant disruption to the market.

Government support schemes such as furlough, rate relief and other covid recovery schemes such as the National Leisure Recovery Fund and crucially in most instances the understanding and financial support of local authorities to protect these important local services allowed some hope that post pandemic recovery was realistic and a new priority.

Commentators in the sector at the time were predicting 2-3 years before it would return to 'business as usual'. Evidence from Sport England's *Moving Communities* report (April 2022) suggest that was not far from reality (see Appendix 3) as participation nationally, although recovering is still below pre-pandemic levels with outdoor activities (87%), swimming (83%), swimming lessons (74%), and gym activity (72%) this is broadly

reflective of the One Leisure position at the time, with the exception of swimming lessons that is performing exceptionally well.

### **Financial Impact**

With the inevitable financial pressures that all leisure operators faced as a result of Covid, leisure provision became an increasingly prioritised conversation within many local authorities as the viability of provision under threat. Dialogue with third party operators became a 'live' issue as re-negotiating terms and/or the level of financial recovery support required put pressure on the already stretched public purse. The same pressures applied to directly delivered services or those delivered via an arm's length council-controlled company.

At the same time Covid made local authorities reconsider its leisure provision, operators were becoming increasingly risk adverse. This was then exaggerated further by the rapid spike in utility costs, unprecedented and sustained inflation and the impact of the cost-of-living crisis, that was squeezing its revenue streams from the paying customer.

As contracts were being renegotiated or coming to a natural end, the risk appetite of the main operators in the sector was understandably changing to a considerably more cautious and risk adverse approach from that seen in previous years. Risk transfer was once a key attraction of outsourcing; however, operators have adopted a more cautious approach to risk and generally focussing on consolidation of market share rather than growth, this may include bidding for contracts as other are lost.

During the review, the consultants were made aware of a potentially significant operational and financial risk with regard to the Terms & Conditions Audit being undertaken by the Council.

The Audit has identified an unquantified risk (to date) re: departure from NJC 'Green Book' conditions for a significant number of One Leisure employees that may result in pay enhancements such as weekend and anti-social hours working having to be paid to employees stretching back for up to 5 years. As this is to date an unquantified risk, potential operators are likely to approach this matter with caution; even if the Council agreed to underwrite this cost it will undoubtedly be disruptive to the workforce and may hinder any future changes to terms and conditions that an operator may seek to introduce.

More recently there have been a number of authorities starting on the journey of insourcing including several London Boroughs, it is likely that this is due to a mix of political ideology, demands of third-party operators in contract renegotiation and changes to VAT regulations that is levelling up the playing field to some extent in terms of some historic outsourcing advantages.

### **Competitive Tension**

Overall there currently appears to be little competitive tension in the market for leisure operators, except for the larger and potentially more lucrative contracts, although there are some early signs of the market revival. Covid recovery remains a key factor, however other challenges such as utility costs, inflation and the impact of the cost-of-living crisis on disposable income of customers all are maintained as material risks to the sector.

Given that operators are currently risk averse and generally seeking terms that are less attractive than in the pre-pandemic period, a number of authorities are not prepared to make the considerable investment in a major procurement exercise, where the outcome is so uncertain and unlikely to offer any improvement on the current position in the short term. External providers are likely to seek a minimum term of 10 years with an option to extend, as reducing employee and other operational costs will take several years to execute.

Some operators may however consider strategic geographic growth, whereby they will seek to secure contracts in neighbouring authorities that would allow them to distribute their management overhead costs across a wider base and operate more efficiently and spreading their operational risk

- Considering strategic geographic growth around the HDC area, it is noted that: GLL are operating facilities for Cambridge City Council and East Cambridgeshire District Council;
- Trilogy Active is a local trust operating facilities in Northampton

- Abbeycroft Leisure are a not-for-profit organisation, operating facilities for West Suffolk Council and Babergh & Mid Suffolk District Council;
- Freedom Leisure is operating facilities in Fenland District Council, Great Yarmouth Borough Council, Milton Keynes, North Northamptonshire Council.

Peterborough have moved its leisure facilities into its LATC that was established primarily for waste and recycling services, it remains unclear if this is a temporary move pending market recovery. Each operator will have its own business recovery and growth strategy, it's a case of opportunity, capacity and timing will be factors in determining operators' level of interest in a procurement opportunity alongside the financial viability of the contract and the associated risks.

### **Early Market Engagement**

The market assessment has been undertaken without the benefit of an Early Market Engagement exercise; therefore, assumptions have been made based on experience and observations within the market. The Council may wish to consider undertaking an exercise to test the potential appetite of leisure operators, that will offer further reassurance as part of its own due diligence and may also help to better inform future decisions in the medium and longer term, even if not the short-term delivery model. An Early Market Engagement exercise typically takes 6-8 weeks to conclude.

### **The Case for Leisure Provision**

Local sport & leisure facilities are unquestionably part of the social fabric and physical infrastructure of the communities they serve. However, the leisure provision is a non-statutory function, and there is no legal requirement for local authorities to provide these services.

The question of provision is valid particularly as authorities become under increasing financial pressure and it could be argued that there is an established private sector market. However, private sector provision tends to be biased towards gym/fitness facilities (swimming pool provision is predominantly within the public domain); even where there are multi-functional facilities, accessibility is a factor as memberships are not affordable for everyone, thus exaggerating the health inequalities of low-income individuals and families.

The government has an ambition to improve the health of the nation, reduce health inequalities and improve co-ordination across health and social care through:

- improving physical activity especially among the most deprived, should lead to a reduction in diseases (thus alleviating pressure on the healthcare system and reducing treatment costs);
- improved quality of life and the associated economic returns, and
- a reduction in health inequalities (by reducing the gap in healthy life expectancy between the lower and higher social economic group) also contributing to a reduction in NHS expenditure.

There is evidence of the growing importance for local health collaboration across the country. The Integrated Care Systems (ICS) brings together health and care organisations, local councils, and third sector organisations to make a difference locally, reducing health inequalities and supporting prevention. HDC is a partner authority of the Cambridgeshire & Peterborough ICS and has received £249,600 to offer residents evidence-based interventions for those with mild to moderate frailty and those at risk of cardiovascular disease. One Leisure can play a key role in delivering these types of health interventions and other social prescribing initiatives; however it will need to broaden its horizons beyond the existing leisure centres and take activity into the community.

Sport England, the Association for Public Service Excellence (APSE), Community Leisure UK (CLUK), the Local Government Association (LGA) and the Chief Leisure Officers Association (CLOA) all champion the need for public leisure facilities as a critical component of the community infrastructure supporting health and wellbeing, community cohesion, tackling inequalities, and creating a positive and active environment for local people.

The continued evolution of a financially sustainable public leisure offer is likely to be reliant and focussed on, active wellbeing, where commissioned public health programmes are integrated with traditional leisure activities and become a core component of the leisure offer.

### **Conclusion – Market Assessment**

In summary, in the short term (2-3 years) it is considered unlikely that there will be sufficient market tension currently to secure a Best Value outcome from a competitive process currently, given the probable contract term sought by operators and the unquantified risk arising from the Terms & Conditions Audit. However, as referenced previously good practice would be to test this through an Early Market Engagement exercise and keep this under review as market conditions and circumstances may change.

The COVID-19 pandemic created unprecedented pressures and hardship across all aspects of society, public and commercial organisations. In terms of the leisure sector, what it did highlight very clearly is that regardless of how councils have decided to provide and manage its public leisure services, risk of failure cannot be divested away from council assets and the local authority is always likely to be the funder of last resort in contract renegotiations.

The opportunity for One Leisure to exploit and maximise the community benefits of its relationship with the ICB, if taken, can only strengthen the case for continuation of the in-house offer, although other providers can argue that they could fulfil community health and wellbeing interventions equally as well and some operators are adept in this area. The creation of LATC's to deliver leisure functions has increased in popularity more recently and if constituted correctly can secure NNDR relief.

# Short Term Operating Models (2-3 yrs.)

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## Service Delivery Options

As commented on above, the COVID-19 pandemic has dramatically changed and disrupted the leisure market; this section will explore the potential delivery options available to the Council in the short term.

At this stage, it should be reiterated that no decisions have been taken by the Council in terms of its future operating model over the short, medium and long term. First Point have been commissioned to provide an independent review of the future delivery models available to the Council and its leisure function currently delivered directly by its in-house service (One Leisure).

Whilst the Medium-Term Financial Strategy sets out a fairly positive picture overall compared to a number of other authorities, in common with many across the country, the Council remains under sustained financial pressures on its revenue budgets and needs to deliver its services in the most cost-efficient way possible, this necessity is heightened for non-statutory services such as leisure.

## Facilities

One Leisure is the trading name of the Council's in-house leisure service that fulfils the leisure function delivering services from five sites:

- Huntingdon Leisure Centre
- Ramsey Leisure Centre
- St. Ives Leisure (Outdoor)
- St. Ives Leisure Centre (Indoors)
- St. Neots Leisure Centre

From the site visits undertaken, it is clear that from a customer perspective the facilities appear well presented, and clean, although there is a need for refurbishment, modernisation, re-configuration and in most instances the opportunity for expansion.

## Core Options

The Council have identified 4 key delivery options to consider that could potentially be deployed for the operation of the council's leisure facilities, these include:

- direct in-house delivery by One Leisure (the current model);
- establishing a wholly owned and controlled council company;
- outsourcing to a third party;
- creation of a trust or not for profit entity.

In discussion with the client, the in-house option is considered as the 'Transformed In-House', 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 that has been considered as part of this report. 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.

However, there are other potentially other less prevalent options for service delivery as described below; these options can be more complex, consume more resources and take longer to establish and implement. Although we have summarised the basic purpose and arrangements of these options below, these are not considered in

further detail at this stage given current market conditions and their complexity to establish, although they may be a consideration for the medium/long-term.

### **Joint Venture Company (JVC)**

A joint venture company is a business entity created by two or more organisations (in this case the Council and another organisation) the two parties pool resources, expertise, and capital to undertake a specific business project or objective. The organisations involved in the joint venture remain separate legal entities, but they work together to achieve a common objective.

In a joint venture, the responsibilities, risks, and profits are shared between the parties involved according to the terms of the agreement. Joint ventures can take various forms, such as equity joint ventures where both parties own a percentage of the joint venture company, or contractual joint ventures where the companies work together under a contractual agreement but do not form a new separate legal entity. The Council could consider seeking a partner to establish a JVC; however, the proposition will need to be at a scale and sufficiently commercially attractive to potential partners. The only known JVC in the UK public leisure market is between Sunderland City Council and SLM (trading as Everyone Active), established in 2015 when the market was buoyant.

### **Joint Delivery Area Model**

Similar to the JVC the opportunity exists to create or join a consortium approach when considering the future operating structure of the service. This is more commonplace with the Local Authority sector often more widely seen in the Shared Service Models. As the leisure sector continues to evolve and alternative operating models are considered by neighbouring local authorities, the opportunity to consolidate services with likeminded partner authorities in Cambridgeshire provides a potential vehicle for change in the future; however, the complexity of contract alignment of existing arrangements and developing partnerships should not be underestimated.

### **Options Appraisal**

Consideration of the four core delivery solutions is set out below.

### **Transformed In-House**

This is potentially the easiest option for the short term. However, for this to be successful, transformation must be supported and resourced, with the initial service changes embedded and full transformation pursued with vigour. Tweaking the operations will not be enough, and it is likely that unless a transformation plan is developed and driven by service management, it will only ever result in a sub-optimum outcome.

In-house transformation can be developed on a sliding scale, determining the depth of transformation the Council requires and has both the appetite and capacity to achieve. The aim should be to operate as leanly as possible, adopting best practice from the sector (regardless of the delivery model) and the benefits of the local authority infrastructure, its wider connectivity and local focus. The service will need sufficient scope and leeway to operate with flexibility such as working within agreed parameters to change prices or apply promotional offers without recourse for additional approvals, thus being able to respond to the market in a more dynamic way, similar to its external competitors. It may also need support services to adapt and change the way they interact with the Transformed In-House model, which can be challenging when they are still providing support for the entire organisation.

It is acknowledged that the optimum operational position from a pure finance perspective is unlikely to be palatable or possible e.g., moving away from NJC terms & conditions and even the Local Government Pension Scheme (LPGS); indeed, as a good employer some of this may not be desirable at all and have a negative impact on recruitment and retention. However, changes to operational practice that enable the service to operate in the most efficient way possible in line with the sector 'norms' can be achieved. HDC has recently commenced work on its Workforce Strategy. It will be important for the service to engage with this initiative to ensure that it meets the needs of its transformation plan e.g., a reward and remuneration or commission



scheme for sales above target and flexibility within the workforce that is appropriate for a 7-day-a-week service. It is not possible for the directly delivered in-house model to access any NNDR relief.

### Local Authority Trading Company (LATC)

The Localism Act gave local authorities new powers to trade, resulting in the increase in popularity of the LATC model and the creation of new companies, delivering a wide range of services including leisure. Whilst there are variants to this approach, in this instance the LATC is considered to be a wholly owned and controlled Council company. It is possible for the LATC to be part of a JVC or Joint Area Delivery Model at some point in the future. Current procurement regulations continue to provide the powers for public authorities to create LATC's and award contracts directly without competition.

The LATC is an arms-length incorporated company and potentially could benefit from increased flexibility in decision-making to the same extent or potentially beyond that of an optimised Transformed In-House model. This would provide the LATC with the capability to operate more commercially and the potential to generate trading surpluses that can be reinvested back into the service and local community in accordance with its Articles of Association. It is assumed that the LATC model will not be simply a 'lift and shift' of the current One Leisure model, but it will share the current and future transformation objectives of the Transformed In-House model, providing the LATC with the ability to operate freely will be a key determinant of its success.

However, establishing a LATC does require resourcing. It was discovered during the review that HDC already has a LATC, *Huntingdonshire District Council Ventures Limited*; although it is understood that the company does not fulfil any frontline delivery functions. It should be possible to establish a leisure subsidiary of Ventures Ltd, subject to a review of and possible amendment of its Articles of Association, although it may be preferable to create a new LATC. Reviewing the articles of the existing LATC is outside of the scope of this review.

Key to its success will be the relationship between the local authority and the LATC, company, and managing the potential conflicts of interest between the commercial interests of the company and the public interest of the local authority. The benefits of the LATC are generally predicated on taking a long-term view and the Council being supportive of potential changes to terms and conditions of employment such as weekend enhancements and alternative pension provision for new entrants, that could potentially make significant savings to employee costs. Despite being an arms-length organisation the LATC is wholly owned by the Council and that inevitably brings into question that this could be considered by the trade unions as creating a 'two-tier' workforce where changes are proposed and may be resisted by the trade unions. Given the recent spotlight on employment terms through the Terms & Conditions Audit, changes of this nature may be more difficult to achieve in the short term.

If constituted correctly as an NPDO with charitable objectives clearly stated in its Articles of Association it is possible for the LATC to secure the 80% NNDR relief afforded to NPDO's, however it is not and never can be a charity as governed by the Charities Commission.

There are multiple examples of LATC's across the country including: *Brio* (Chester and Chester West), *Lampton Leisure* (Hounslow), *Leisure SK* (South Kesteven), *Life Leisure* (Stockport), *Plymouth Active* (Plymouth), *Volair* (Knowsley).

### Outsourcing to a Third-Party

There is a mature leisure market that has been established across the country for several decades. This commenced with the introduction of Compulsory Competitive Tendering (CCT) in 1998 and continued to develop with the Best Value regime that followed, providing a variety of outsourced models; the three main types are as below:

- Large NPDO's – these will have all been developed from local authorities and have grown considerably to successfully operate multiple contracts beyond their original 'home' authority and across the UK. Some of these operators such as Fusion, GLL (trading as 'Better') and Freedom manage both local and high-profile facilities such as the Olympic Legacy venues.

- Private operators such as Places for Leisure, Parkwood, Serco and SLM (Everyone Active) often deploy a 'hybrid trust' model, whereby they can distribute profit back to their controlling company.
- Smaller local NPDO's (Trusts) have usually emerged from their 'home' authority, generally with little ambition for growth beyond their own geographic area and wholly focussed on a contract with their host authority. Whilst providing a focussed local service, the vulnerability of a single contract is a risk, examples of this type of organisation can be found at Burnley, Harlow, Pendle and Warrington.

If this option was selected a full procurement exercise would be required, this includes the option of the Council establishing its own charitable trust, that by its very nature must be wholly independent from the Council who can have no controlling interest in the trust. The resources to undertake a procurement event should not be underestimated. The market assessment concludes that this is not recommended for the short-term solution, as the Council should be seeking to 'squeeze the value' out of the service before considering going to the market and should also keep the situation under review.

### Trust or Not for Profit Entity

Many local authorities established charitable trusts or similar vehicles to deliver their leisure services from their own in-house service (as commented on above) from the inception of CCT in the late 1980's. This option was attractive to many authorities, as it effectively shielded the service from any form of robust or an open procurement process and created access to many charitable benefits; one of the key benefits being 80% NNDR relief and often the additional 20% discretionary relief afforded by some authorities. This option remained available to local authorities until 2016 when direct awards (without following a competitive process) became only permissible in very exceptional and strictly interpreted, circumstances set out in Regulation 32 of the PCR (2015).

An award of a contract under regulation 32(2)(c) allows the use of the negotiated procedure without prior publication for the award of service contracts *"insofar as is strictly necessary where, for reasons of extreme urgency brought about by events unforeseeable by the contracting authority, the time limits for the open or restricted procedures or competitive procedures with negotiation cannot be complied with"*.

The circumstances invoked to justify extreme urgency must also not be attributable to the contracting authority. This means that direct awards have to be strictly necessary, the urgency of doing so must be extreme and the events giving rise to the urgency must have been unforeseeable by and not attributable to the Council and it must not be possible to procure the services using one of the accelerated tender processes under the PCR.

It should be noted that it is still possible to create a charity or not for profit organisation, however it will need to compete in a transparent procurement process. A new charity must be a wholly independent organisation, most will be a limited liability company incorporated under the Companies Act 2006. As such it has all the characteristics of a normal company, including legal personality and limited liability of members and must comply with all requirements set for companies, such as the requirement to file accounts, certain resolutions and regular returns with Companies House.

A new charity will have no financial or operational track record as such, Trustees will need to be recruited and a Board established, management and staff recruited, and back-office support services sourced and secured. The likelihood of a successful procurement outcome against established operators in a competitive environment is low. However, given the market is suppressed currently this may present an opportunity, although the risk of external competition cannot be ruled out. Given the uncertainty of the procurement outcome, staff may be resistant to commit to the move across to it and it may only technically become a TUPE situation when the charity has a contract award.



Additionally, the Council will not be able to control or unduly influence the operation and affairs of the charity as it must be an independent body to become a registered charity governed by the Charities Commission.

Another common form of a not-for-profit organisation is the Community Interest Company (CIC), an enterprise set up to benefit the community.

CICs have been set up to run community facilities such as swimming pools, community centres, and other assets that were being sold off by local authorities. There are thousands of CICs of all sizes across the UK, operating in a wide range of sectors, including health, the arts, media, education and social work. The basic legal structure of a CIC is similar to a charity insofar as it would be a limited liability company incorporated under the Companies Act 2006 and have the characteristics of a normal company as described above in relation to a charitable trust. A CIC is therefore not a separate form of company, but merely a company with certain characteristics.

What makes a CIC distinct is that it has a 'lock' on its assets and is limited to the profits it can distribute to shareholder/members, which in this instance would be the Council if established by HDC. All assets have to be used for the community purpose; if the assets are sold, the proceeds have to be used for the community purpose. If a CIC ceases trading, the assets have to be transferred to a similar asset-secured company.

It should be noted that the Council could establish a LATC that would be a not-for-profit entity, this can be incorporated in the form of a Company Limited by Guarantee (CLG) or a CIC and like any other company will be bound by company regulations.

#### *The Community Interest Test*

When applying to set up a CIC at Companies House, the Council would need to undertake the a 'community interest test'; demonstrating that there is a clear benefit to the wider community and not just to the Council. All the directors have to sign a community interest statement to this effect.

#### *Differences Between CICs and Charities*

One major difference is that directors of CICs can be paid a salary and retain control of the company whereas charities tend to be run by volunteer boards. The asset lock is also unique to CICs and thanks to the social-purpose of the enterprise, they can legitimately apply for grant-funding usually restricted to charities. Charities that operate trading arms could convert to the CIC model, although the CIC may not benefit from all the tax advantages as charitable organisations.

### **Analysis of Options**

As commented on above, we have assumed the in-house option will be a Transformed In-House service, building on the initial work that has commenced over the past c.18 months.

The options appraisal is based on the principles set out by Council in the project brief, these have been considered as the underlying principles of each aspect commented on below. The principles are:

- financial modelling
- balancing the level of risk, the Council is willing to take
- the commercial return the Council wishes to secure or guarantee
- the social and wellbeing benefits the Council is seeking to 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

The assessment is based on the market assessment and our practical experience of each of the models. It is not possible to determine with total accuracy which model may actually be most advantageous to the Council without undertaking a soft market testing exercise and/or a full procurement exercise, where through dialogue with potential operators the proposal can be comprehensively considered. This may be something for consideration in the medium/long term options at the appropriate time.

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      |

### Set Up and Transitional Costs

The Transformed In-House model is likely to have the lowest cost to implement. However, there will be a need to invest in management and staff to ensure it has the capacity and capability to optimise performance.

The current Head of Service has been integral to initiating and driving service improvement over the past 18 months or so, it is understood that the postholder is only contracted to March 2024, this not only generates a delivery risk but potential recruitment cost. The Transformed In-House option could be implemented immediately; although external transformation support may be required if there is not sufficient internal capacity within the Council to affect the cultural shift required. The estimated cost of external support is c.£20k-35k depending on the depth of support required.

Establishing a leisure subsidiary of the Council's existing LATC or creating a new LATC, is likely to require external support, unless there is spare capacity within the Council to project manage its inception and mobilisation. Carefully establishing the LATC to be Teckal compliant and to secure NNDR relief may require additional external support. Although the transfer from in-house to LATC should be relatively seamless, it would be prudent not to underestimate the volume of work involved including some highlighted below:

- Articles of Association with charitable objectives.
- Producing a client service specification; Memorandum of Agreement/Funding Agreement, performance framework, operating leases/licences etc.
- Establishing new governance and oversight mechanisms (may be more involved for a customer facing service).
- Subsidiary or NewCo established and incorporated including; Articles of Association (or review and amendment to existing), VAT registration, producing a Business Plan for consideration by the Council and;
  - establishing its own banking and financial arrangements; regulatory procedures, appointment of an auditor;
  - support service requirements (buying back from the Council or sourcing externally);
  - comprehensive suite of policies and procedures (although these could potentially just be adopted from One Leisure initially);
  - payroll arrangements and compliance with HMRC requirements for an arms-length company;
  - internal and customer comms and re-branding;
  - ICT systems interface with the Council;
  - Board recruitment (although this could initially be existing Councillors and/or Senior Managers) of Company Directors with the requisite sector experience and skill sets required to control a leisure company;
  - Company Director training for the Board etc. (if new Directors are appointed);
  - HR support to manage the TUPE transfer, in accordance with legislation.

There is a potential reduction in demand for Council support services if the LATC source alternative providers that are more cost effective, however in most instances of LATC's being established there is a minimal impact on central support costs that are generally redistributed across the council.

Based on previous experience elsewhere, whilst creating the LATC as a 'shell' company or subsidiary is relatively straightforward and can be done in days, getting to 'go-live' for a customer facing service in readiness to trade could take anything from 6-12 months dependent on the speed of decision

making/delegations for each aspect of establishment with an estimated cost of c.£75k - £125k (excluding re-branding costs, uniforms, signage etc.), depending on what internal capacity exists to support the implementation of this option.

Outsourcing to a third party would require a comprehensive procurement exercise in accordance with the Procurement Act (2023) that received Royal Assent on 26<sup>th</sup> October 2023. It is anticipated this new procurement legislation will 'go-live' in October 2024 following a minimum of 6-months advance notification. Local authorities have been asked to consider their procurement pipeline for the next 12 months in light of the Act being introduced, this would not restrict the Council undertaking an Early Market Engagement exercise. Procurement of leisure services can be a complex and lengthy process that is likely to need external support depending on internal capacity across most disciplines. Typically for the leisure contracts a minimum of 9-12 months should be allowed from the point the decision to outsource to award. Established operators will have their own back-office support functions therefore there would be in theory be a reduction in demand for corporate support services, however as the leisure function is often a small proportion of a particular activity, realisation of cost reduction in this regard is limited. The cost of procurement alone is estimated to be c. £100k- £150k.

The creation of a charitable trust or not for profit entity will still require a procurement exercise as described above and have a similar impact of Council support services. In addition, the trust will need to recruit a Board of Trustees, typically these consist of up to 12 independent Directors with the requisite skills to govern a charity (with a maximum of two local authority representatives under this format). The trust would need all the management and operational arrangements put in place as per the LATC option, which could be developed in tandem with the procurement exercise but as a NewCo it will need to establish and initiate all the business infrastructure unlike an existing operator. It should be noted that this option would all be undertaken 'at risk', as the outcome of a successful procurement exercise cannot be guaranteed.

The attraction of outsourcing to an organisation with charitable objectives including a correctly formed LATC with charitable objectives, is securing the 80% NNDR mandatory relief (net benefit 60% of this sum after accounting for loss on rates income to HDC). However in the short-term the cost of procurement, uncertainty of a beneficial outcome and other 'live' issues all detract from the potential NNDR advantage if seeking an external delivery solution; there would be no requirement for procurement with a LATC option.

|                      |  |
|----------------------|--|
| Transformed In House |  |
| LATC                 |  |
| Outsourced           |  |
| Trust or NPDO        |  |

### Level of Operational Risk Transfer

The Transformed In-House model offers no change to the current position with One Leisure as the Council remain liable for all operational risk transfer. For the LATC model it could be argued that there is some risk transfer, but it is minimal as despite being a separate entity in theory, the Council are its sole Member, therefore it retains some liability albeit at arms-length

For both the outsourced and trust/NPDO option day to day operational risk would sit with the operator, however if either option went into financial crisis and/or liquidation the Council remains would be the funder of last resort, so are the risk transfer is not absolute.

The unquantified risk associated to the Terms and Condition Audit, can only really be mitigated for an alternative delivery model if the Council state at the outset that they will underwrite the liability. However, as the quantum is currently unknown and resolution is likely to take some considerable time, the financial impact to the current and future service offer is likely to create a significant non-transferrable risk. The uncertainty this creates amongst potential operators may result in them seeking full indemnity for this and other unforeseen historic liabilities regardless of their own due diligence.

|                      |  |
|----------------------|--|
| Transformed In House |  |
| LATC                 |  |
| Outsourced           |  |
| Trust or NPDO        |  |

### Asset Management Responsibility Transfer

The notion of 'full repairing leases' is a long way from reality in most leisure contracts. In all instances the Council is likely retain ownership and responsibility for the main structural elements of the facilities such as the roof, walls, drainage, major capital works etc. Even where a degree of asset management transfer was possible as determined by contract and/or negotiation, the Council would assume the 'landlord' responsibility under a typical 'landlord and tenant' lease arrangement.

As the Council will retain ownership of the facilities and be responsible for major capital works in each of the models considered, there will be no material difference in terms of carbon reduction schemes and access to grants as the Council is still likely to take the lead on these projects supported by the operator. Outsourcing to one of the larger operators is likely to bring some additional experience to carbon reduction schemes in leisure facilities; however, the Council has already successfully completed a project at Ramsey Leisure Centre, therefore this is not considered to offer any significant advantage.

Utility consumption for leisure facilities is a significant operational cost, particularly those with swimming pools; the recent spike in energy costs has highlighted this more widely. Pre-pandemic the operator was generally liable for utility costs, and generally accepted this level of risk, even if this was based on a 'cap and collar' arrangement. The recent spike in energy costs effectively triggered a renegotiation of contract terms between many operators and the local authorities, as this along with the loss of revenues due to the pandemic this threatened the viability of many contracts. Local authorities can often secure preferable unit costs and achieve economies of scale particularly if they are part of an energy consortium; some of the larger leisure operators can achieve similar rates where they operate multiple contracts. The newly established trust/NPDO would however be reliant on the Council continuing to provide utilities as it is unlikely to be able to secure the best unit costs as a new entity with a single contract.

Risk transfer on utilities alone is unlikely to be significantly different for any of the options currently. External operators will be reluctant to take on the utility risk, without 'risk pricing' in their commercial offer or negotiating shared risk.

One of the key determinants of whether this is advantageous to the Council or not will be the condition of facilities and the split of liabilities. In each of the models, it would be common for day-to-day repairs, and small capital work to fall to the operator who would factor this in the commercial offer based on recent condition surveys undertaken by the Council. Prospective operators will inevitably assess the risk and factor that into contract negotiations. Achieving any additional liability transfer maybe possible, however the cost of risk transfer in the commercial considerations may equate to or be higher than the risk of the Council retaining responsibility.

On the assumption that outsourcing the service to an established operator who has established relationships with contractors some aspects of asset management could be satisfactorily undertaken, however the Council may have established contractual relationships with local suppliers that supports the local economy. For a newly established trust or NPDO with no account history with contractors the advantages are likely to be marginally better than the Transformed In-House or LATC option but not as good as an established operator.

The Transformed In-House model offers no change to the current position with One Leisure as the Council remain liable for all operational risk transfer. For the LATC model it could be argued that there is some risk transfer to an arms-length company but in reality, the liability would not stray from its single member, the Council. In current market conditions where operators are risk adverse, transfer of liabilities may be possible but will come at a cost to the Council and may only offer a marginal advantage.

|                      |        |
|----------------------|--------|
| Transformed In House | Red    |
| LATC                 | Red    |
| Outsourced           | Yellow |
| Trust or NPDO        | Yellow |

### Level of Council Control

With the Transformed In-House model, the Council would maintain full control, albeit to maximise the advantages of this approach, freedom to operate and flexibilities need to be applied. The LATC will have its own company Board of Directors and must have the latitude to operate commercially, however ultimately the Council is its sole member and can decide to terminate the arrangement with the LATC as and when it chooses to do so, therefore the degree of control is considerable.

The Council's level on influence and control of both the outsourced and LATC/NPDO option is effectively governed by the contract and service specification it has in place with the service provide. Typically, the Council may have two representatives on a Board of twelve Directors for a locally established independent charitable trust. However, the Council nominees are Directors of the trust/NPDO and bound by the responsibilities and duties of a Director to entity and not the Council; as such the level of control is the same as the outsourced option.

|                      |       |
|----------------------|-------|
| Transformed In House | Green |
| LATC                 | Green |
| Outsourced           | Red   |
| Trust or NPDO        | Red   |

### Scope for Community Involvement

In theory there should be no discernible difference between the options if the requirement for community involvement is clearly specified in the client requirements, as each of the options could in theory work with the Council and community partners to engage with the community. However, in practice a Transformed In-House and LATC option is likely to have existing relationships across the Council and with community groups therefore would have a 'head start' on the outsourced and trust/NPDO option even if staff transfer across under TUPE. Local authorities are established organisations, embedded in the local community and generally 'trusted' organisations, this does give the Transformed In-House and the LATC model a slight advantage in this area.

|                      |        |
|----------------------|--------|
| Transformed In House | Green  |
| LATC                 | Green  |
| Outsourced           | Yellow |
| Trust or NPDO        | Yellow |

### Potential to Increase Participation

The service specification and/or client requirements should include the need to increase participation. All of the delivery models will be focussed on increasing participation where it increases generated income and drives up community participation that delivers health and wellbeing outcomes, attracts third-party funding and delivers against the contractual performance targets. Retention of existing and new customer is equally important to maximising participation rates, investment in digital tools and targeted marketing will support this objective, alongside a membership architecture that provides options and choice for customers. Whilst the Transformed In House and LATC may appear best placed with existing connections and local intelligence, given TUPE applies it is not considered that this provides any distinctive difference between the delivery models.

|                      |       |
|----------------------|-------|
| Transformed In House | Green |
| LATC                 | Green |
| Outsourced           | Green |
| Trust or NPDO        | Green |

### Access to Capital and Investment Funds

Currently Prudential Borrowing through the Public Works Loan Board (PWLB) despite recent interest rate increases offers the most preferential lending rates compared to borrowing from the market. Even where leisure facilities are operated by a third-party organisation, the local authority often finance capital schemes through PWLB; project management responsibility can be led by the council or the operator depending on capacity and capability that would need to be agreed between the parties.

If HDC reached its borrowing capacity limits, an established operator could potentially borrow from the market to deliver a scheme on behalf of the council. However, this would need to be negotiated with the operator on the understanding that a management fee may be applied by the operator in addition to a higher rate of borrowing than the PWLB and the arrangement would be dependent on the length of the contract. A newly established trust/NPDO will have limited financial or credit history and may find it more difficult to secure capital funding than any of the other options.

Access to major sources of third-party funding e.g., Sport England, Football Foundation, National Governing Bodies is likely to be accessible regardless of the delivery model, although as asset owners, the Council is likely to be required to guarantee longevity of use. Access to some funding schemes is restricted to charitable organisations, providing some possible advantage for the trust/NPDO's although it should be noted that many of the major operators fulfil this criterion.

Given that the PWLB is likely to be the preferred source of financing capital schemes regardless of the service delivery option, then there is no difference in this regard. An established operator will potentially have the ability to secure funding from the market, if necessary, where this is less likely for a newly established trust/NPDO. Some funding streams will be restricted to organisations with charitable status, therefore overall, this provides a marginal favourable position to that of the Transformed In-House and LATC option.

It will be important that capital investment in leisure is fully immersed in the thinking and opportunities to finance or contribute to schemes from the Community Infrastructure Levy (CIL) and/or Section 106, creating a pipeline of potential investment aligned to development and regeneration schemes.

|                      |  |
|----------------------|--|
| Transformed In House |  |
| LATC                 |  |
| Outsourced           |  |
| Trust or NPDO        |  |

### Options Summary

The tables below provide a summary of the criteria set by the Council, a weighting applied to the assessment and the outcome.



Table 1 - Criteria Assessment

|  | 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 |                             |                                    |                      |                          |                                 |                                     |  |

### Conclusions – Short Term Operating Model

In consideration of both the current Market Assessment, the Options Appraisal, and the recently identified risk associated to the Terms & Conditions Audit, the Transformed In-House model is considered to provide the best solution for the Council in the immediate short-term. 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. 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. Resolving the currently unquantified liability of the Terms & Conditions Audit is key as employee costs are the largest expenditure item for leisure and until this issue is resolved it would not be possible for the LATC to develop a Business Plan with any degree accuracy.

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, significantly changing and suppressing the appetite of operators to take commercial risks.

Council control is maintained with the Transformed In-House model. 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. The LATC is only an attractive option if there is a commitment to a term similar to that an external operator may seek, in order to implement change e.g., 10 years with an extension option. If an authority was only considering the LATC model as an interim position to secure NNDR benefits, then due regard should be given to the negative impacts of this approach. 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.

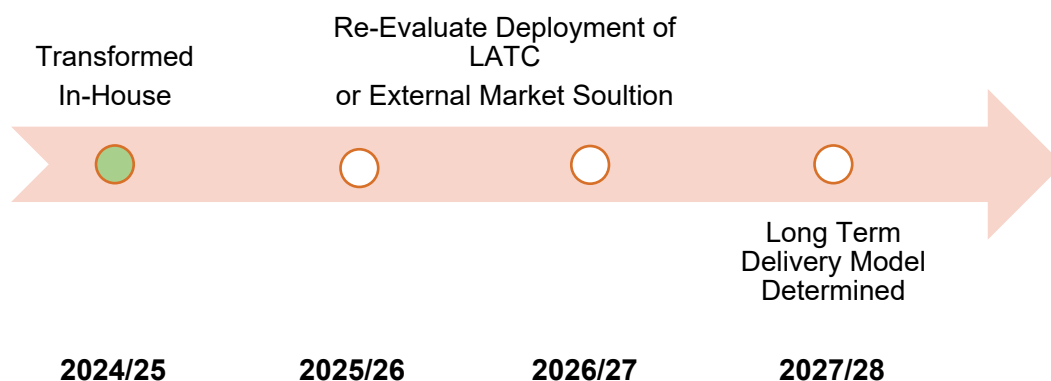
The Transformed In-House and LATC are most likely to provide opportunities for community involvement as they will have existing relationships and connections with the communities they serve, although it is possible over time that the other delivery models could achieve similar levels as they develop 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.

Access to capital and investment funds for large capital schemes is likely to come from Prudential Borrowing as the Council are owners of the assets; interest rates are competitive and offer good value for money compared to market financing solutions. If the Council reach capacity on its borrowing or have other priorities it would be possible for an established operator to secure capital financing from the market although this is not 'free money' and would and ultimately cost the Council more to repay.

However, if at some point in the future the Council considered a significant capital project to build a new leisure centre(s) that was upwards of c.£20m then a market solution to Design Build Operate and Maintain (DBOM) may be an attractive option if the Council had exhausted its capital borrowing limits. This however is not a scenario for the immediate future or the short-term, if this became a live option, the operating model should be reconsidered at this time.

Operators with charitable status may be eligible for some external funding streams which the local authority are excluded from although these are generally associated to programme delivery rather than infrastructure projects. A timeline summarising the proposed short-term delivery arrangement is illustrated below.





# Proposed Staff Review

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## Introduction

This section provides a high-level diagnostic review of and provides comment on the preliminary work undertaken to date on the proposed staffing structure for HDC's Leisure Services.

The review critiques the recent paper presented to the Council's SLT and HR (September 2023) on the proposed staff review of One Leisure in conjunction with associated supporting documents provided by the client

The purpose of the review was to fulfil the following key objectives which are identified as:

- A structure that allows for a clear pathway to career progression and better training and development opportunities for staff
- Provide a staffing structure that supports financial efficiency and growth
- Improve financial performance of One Leisure

## Limitations

The limitations of a high-level review mean that Job Descriptions and Person Specifications are not considered. Additionally, and possibly more crucially, the competence and capability of existing staff and any new appointments that are required to deliver any change in service delivery is unknown to the consultants and will only become evident after implementation. Comments on the proposed structure are therefore provided in the context of these limitations.

## Huntingdonshire Built Sports Facility Strategy

In 2022 the council commissioned external support to produce an Indoor and Built Sports Facility Strategy and Playing Pitch and Outdoor Sports Strategy for Huntingdonshire. Endorsed by Sport England, the strategies provide a comprehensive review and assessment of facilities and pitches and provide strategic recommendations in line with population growth forecasts contained in the Local Plan.

The strategies are key features of the wider One Leisure review and play a central part of the proposals emerging across this wide and expansive staff review.

Plans are in place that these strategies are to be utilised by partners and providers to benefit and enable the leisure and sporting landscape across Huntingdonshire as a whole.

The service vision expressed on HDC's website is:

*To create and maintain high quality, sustainable leisure and sports facilities which meet community need, increase participation, help tackle health and age issues and provide accessible, inclusive activities for Huntingdonshire residents as part of an active lifestyle.*

It is important that the proposed staff review is aligned to the development of these important strategies, supports financial imperatives and sustainability.

The key purpose of the overarching One Leisure staff review is to support the delivery of the new corporate plan priorities and aid full post pandemic business recovery whereby the service can eliminate the operating deficit, move to breakeven and ultimately to a position where it generates an operating surplus. The clear intent remains as reported on in the paper to SLT/HR, that the proposed staff changes will result in a more efficient and effective structure that is outcome focussed with improved staff retention, recruitment, and career pathways.

However, it is recommended that for the proposed structural changes to be effective a Learning & Development Plan is developed and adequately resourced to support individuals and the service to achieve its objectives. In addition, an objective post implementation review should be undertaken to determine if the changes have delivered the anticipated outcomes.

It is recognised that the work undertaken to date and phased approach to a new model of delivery has allowed a detailed review to take place on the joint outcomes that can be better delivered by a more purposeful and collaborative approach across all leisure sites within One Leisure.

### **National Context**

HDC acknowledged that change was required across broad Leisure functions and the One Leisure Business model to reposition the traditional offer of public leisure into a more commercially viable offer in parallel to an active wellbeing service, doing more to create healthier and more active communities across HDC. The appointment of a more commercially focussed Interim Head of Leisure is testimony to the commitment to change.

Nationally Sport England have recently published *The Future of Public Leisure report*. The impact of the Covid 19 pandemic, rising energy costs and cost of living crisis has accelerated the appetite for local authorities and their partners to review leisure services and more broadly re-examine the purpose of provision. This includes their alignment with broader strategic outcomes, particularly health. The report recommends expanding the traditional offer of public leisure into an Active Well-being service, doing more to create healthier and more active communities. It will be important that the proposed new structure has the roles and personnel with the capacity and capability to effectively engage with partners, particularly in health, where there are opportunities to secure funding to deliver community focussed services.

### **Leisure Operational Focus**

Previous data analysed cited covering the last 5 years of actual staff and income information and the 2023-2024 budgeted position. One Leisure has typically operated at a financial deficit position with a staff to income ratio of between 60 – 65%.

Prior to Covid and the significant business disruption encountered across the leisure industry per se, it has widely been accepted that generally most commercial operators will aim to deliver a service at around 50-55% staff to income ratio. Although it should be noted this figure does vary considerably based on accuracy of data and local circumstances aligned to the delivery model (private/Trust/in house etc.), and the specific priorities and ambition of the service. The proposal is geared towards a leaner more efficient structure, with opportunity for growth.

Staffing is the single largest cost to operating leisure centres and the current structure within One Leisure (prior to any changes proposed) is delivering a high cost to income ratio. It is noted that feedback from staff engagement sessions facilitated by senior managers across One Leisure in May and June 2023 suggested there was no evidence of a progressive career pathway for staff. This positive engagement should continue to be an integral part of any change process and service restructuring.

One Leisure management have undertaken a review of current and proposed structures that has considered:

- Core operational hours of leisure centres
- Core customer opening hours
- Lifeguard operational review
- Fitness consultant appointment review
- One Leisure Direct telephone call review

The review of these operational elements is comprehensive and geared to delivering an efficient service that meets current service demands with flexibility to scale up for growth also. This work has made a valuable contribution in the design of the new delivery model for the service and its individual sites.

It is clear the proposed changes represent a change of direction with a clear focus on a more commercial approach that is in keeping with industry 'norms' of the major service providers in the sector and overall, greater strategic alignment with council priorities. The introduction of 3 new posts:

- Activities Manager
- Events & Hospitality Manager
- Business Support & Compliance Manager

These roles are designed to support both the financial objectives of the service and deliver community outcomes; these new posts coupled with greater emphasis on revenue generation, service standards, and compliance are key features of a more dynamic leisure operator. Converting outcomes to deliverables will also be a key feature; it is recommended that the service should develop a Key Outcomes Framework that is integrated with individual and team target setting that supports this new focus

Data and insight will be key to supporting the services as it seeks to deliver its objectives and demonstrate how sport and leisure can play an integral role in delivering community outcomes. It is anticipated the new Business Support and Compliance Manager will provide the tools and analysis to all informed decisions to be taken.

It is noted that the proposed structure includes the deletion of the current Marketing and Communications Coordinator. The impact of this proposal is unclear from this desk-top review, it is however essential that the duties and capabilities are accommodated within the proposed structure. Effective marketing, communications and use of social media platforms are key to commercial success; therefore, assurance should be sought that these functions are adequately covered in the proposed structure.

The proposed staff re-structure compared against the current 2023-2024 budget indicates that overall, the staff weekly hours are maintained, however, the proposal can potentially reduce expenditure by £257k per annum. The cost efficiencies are considerable and support the move towards breakeven and ultimately an operational surplus and can be considered a commercially sound approach to pursue.

The restructure proposal presented to SLT/HR in September is focussed on providing added value to the service and supporting the delivery of local priorities as a strategic priority. However, the proposed changes will have varying degrees of impact on individuals across the service, therefore it will be important to assess potential impacts such as net loss/gain of posts and undertake an Equalities Impact Assessment.

The proposed changes to the Personnel Training (PT) model seek to address some purported weaknesses in process and historic poor management practice. The proposal may have an adverse effect on some existing staff, although this is considered necessary to re-set service delivery practice. Whilst the proposal of contracting PT provision to a third party is not unique and a perfectly valid approach, it will be important to ensure an effective communication plan is in place for both staff and customers to avoid any risk of confusion and loss of business. It is recommended that management should ensure measures are in place that do not jeopardise the commercial objectives of the service including the projected staff cost savings.

Based on experience from similar structural changes in local authorities, the timeline for implementation of the proposed changes is ambitious but not impossible. If approvals, consultation, and implementation do not encounter any significant delays then the full efficiencies savings can be secured in 2024/25, however it would be prudent to consider a contingency in budget planning in the event of any implementation delay.

Implementation will require a mobilisation plan to ensure smooth transition into the new ways of working and will need to be carefully managed to ensure the service quality and customer confidence is not adversely impacted, in what remains a highly competitive market and challenging trading conditions prevailing in the sector per se.

Establishing a set of design principles for the service is worthy of consideration, this will not only provide the foundation for structural review but the on-going service transformation. Some common themes and ambitions for the remodelling of One Leisure could include:

- Commerciality and Sustainability – to ensure the sustainability of services through growth of revenue/reduction of costs; waste minimisation and carbon reduction.
- Careers - career development and career pathways that any new model of delivery will help achieve.
- Adaptability - flexible and adaptable roles within any new alternate delivery model designed to meet the needs of the public. The intent to move to a more expansive and wide range of opening times across all areas of the service.
- Customer Centric – clear customer focus – maximising the opportunities to cross sell and grow revenue/income.
- Community - opportunities for the community to be involved and to co-deliver services in particular community health programmes.
- Synergy - service synergy where this makes sense – between sites and community outreach especially Public Health delivery.
- Resilience - ensuring long-term service resilience and post Covid recovery to deliver wider service outcomes.

The service has been progressing through a whole service transformation programme for c.18 months since the appointment of the Interim Head of Leisure, the direction of travel is clear and the foundations for success are in place.

### **Links to wider Public Health Initiatives**

The One Leisure Active Lifestyles team offers a wide range of sport and health related activities to promote a healthy population within the district.

The team works closely with a number of partners to help provide these activities, such as young people's holiday programmes, disability sports clubs and health walks. Support is also offered to local sports clubs to help provide access to leisure. This team and the wider contribution it can make across wider Health partners remains a key delivery component of the local service delivery model proposed.

The service should seek to develop this function across a wider partnership landscape and exploit the opportunity that currently exist in particular within the Cambridgeshire and Peterborough Integrated Care System.

The leverage of additional funds to support longer term health conditions across communities covering the borough will require close collaboration and work at a senior executive level. That systems leadership function will 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. 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.

Some broader community orientated interventions designed to tackle health inequalities are already in place across the council area; this should provide the foundation for increased partnership activity in this area (see link below).

<https://www.huntingdonshire.gov.uk/news/grant-from-huntingdonshire-district-council-enables-community-groups-to-offer-health-activities-to-residents/>

### **Risks & Benefits**

As with any change process there are a number of risks and benefits associated to both implementation and/or failure to implement the proposed changes.

The identified risks/benefits of the proposed staff review are highlighted below.

- **Failure to implement the proposed review in part or full;**
  - this would negatively impact on the projected efficiencies and is likely to result in One Leisure continuing to operate at a sub-optimum level with a financial deficit;
  - career progression opportunities may be stifled and consequently an increased risk of losing talent from the organisation;
  - the future of One Leisure to operate as a commercial entity and achieve financial sustainability would be jeopardised.
- **Implementation of the proposed staff review would:**
  - create the conditions for success and short-term sustainability of One Leisure;
  - support the efficient operation of leisure facilities;
  - provide operational flexibility and resilience;
  - provide career pathways and opportunities for existing staff to progress with appropriate reward/remuneration;
  - afford the opportunity to implement a learning & development plan for staff that supports career progression;
  - retain talent within the organisation;
  - potentially place some staff 'at risk' of redundancy if they were unable to secure alternative positions within One Leisure and/or the Council.

### **Conclusions - Staff Review**

It is acknowledged that the current service configuration across One Leisure is fragmented and not coherent. Identifying some practical steps to reduce costs, improve efficiency, effectiveness and sustainability of local services and support for local systems through greater collaboration is a key ingredient of the proposals emerging on the staff realignment.

The proposed restructure has been carefully considered by the senior management of One Leisure, with detailed reviews of site-specific role and resource allocations. It is evident from the work conducted to date that the proposal is designed to provide a more commercially orientated cost-effective service that is customer led and responsive to demand, with closer alignment to the new Corporate Plan.

A genuine opportunity now exists under the leadership of the Interim Head of Leisure Services to change the service configuration alongside the staffing model; with a sustained focus on the end user and wider communities across HDC.

It remains important this service review is aligned to a wider place-based community interventions and ambitions in order to maximise opportunity and impact.

A new target operating model aligned to this review will need a detailed financial analysis in parallel to the stated outcomes that the change could help deliver. The cost benefits associated with the proposed staff review are clear, however the outcomes have scope for further development and greater clarity.

Consideration should be given to producing a set of overarching design principles to underpin the new structure and applied to subsequent phases of service transformation.

The proposals set out for the service provides the opportunity to significantly reduce staff costs and become a leaner operation that is more commercially focused applying the simple principle of reducing costs and increasing revenue generation.

The proposals are generally consistent with the approach taken by commercial operators in the sector and seek to achieve current industry standards and 'norms' i.e., the staff to income ratio.

The proposal also affords the opportunity to reach out to the hard-to-reach communities to ensure equity of access and inclusion, remaining agile, flexible, and responsive to demand and ultimately more sustainable.

### **Recommendations**

- 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.

# Built Facilities & Playing Pitch Strategies

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## Strategy Overview

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. 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.

However, there is no financial plan that supports any proposed development, the omission of any form of financial assessment, makes it difficult to assess future need, therefore the suggestions put forward are based on observation, dialogue with the client and a degree of speculation. It is understood that the financial plan that would normally accompany the IBF and PPOSS to help inform options for future development was to be a phase 2 consideration. To date this work has not been commissioned.

The PPOSS should be a supporting document to the Local Plan Update. Any action plan arising from the strategy should be flexible; and be regularly reviewed in order to ensure it will continue to be a deliverable plan and one that fits the emerging/expanding communities across the HDC area.

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.

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.

However, it should be reiterated that 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.

## Investment Priorities

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 feasibility study should consider:

- if the scheme objective is technically possible to deliver
- design issues and options
- land and property related matters
- high level cost projections

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 or externally). The OBC should address the following:

- the strategic context and rationale
- option variants
- economic appraisal and value for money
- non-monetary benefits
- risk appraisal
- procurement options
- project outcomes
- affordability
  - capital cost
  - financial modelling & appraisal
  - potential funding partners
- project management
- timeline
- risk management plan

The potential to capitalise this essential preliminary work and potentially the project management element of these actions should be explored.

The Council has already completed the de-carbonisation of Ramsey Leisure Centre and should progress feasibility studies of carbon reduction solutions across the One Leisure estate, in line with the suggested facility investment priorities.

Facility development costs are difficult to predict, as local complications such as land ownership, ground conditions and development constraints are variable. Where consideration is given within the feasibility study to relocating facilities, land valuations and future use of a 'disposed' site are all factors to assess.

Within Sport England's Design and Cost Guidance, they produce quarterly facility cost updates which provide a good indicative cost of new facilities (see Appendix 5). These costs should be applied to as an initial guide to capital costs, although some facility refurbishments, expansions and 'retrofits' can often generate design complications and cost implications, all of which should be identified in the initial feasibility study work.

The complexity of meaningfully projecting revenue benefits at this 'blue sky' stage is not really possible, with return-on-investment considerations being determined by the nature of the scheme e.g., there is unlikely ever to be a financial return on installing an athletics track, whilst a 3G pitch or upgrading a fitness suite is likely to be more financially successful. This will be better determined once the feasibility studies have been completed. Net benefit will need to consider not only generated revenue from service users, but the level of capital investment, the nature of the development, and the potential cost saving on utility costs by putting carbon reduction at the forefront of design principles such as adopting Passivhaus standards across the estate where possible.

Post pandemic, swimming has become an increasingly popular activity across the country and the demand for swimming lessons is stretching pool time capacity. HDC does not have a competition swimming pool, all the Council pools are only 4 lanes x 25m, a competition pool needs to be at least 6 lanes, with an appropriately sized spectator gallery to facilitate competition galas. Although there are some other school pools in the area, community and club access is limited. Local authorities are always likely to be the main provider of swimming pools for public access; they are also the costliest element of provision.

There are some discrepancies between Sport England's estimate of a shortfall of pools and that of Swim England due to different methods of calculating deficiency of supply. Unmet demand is focused in the south and southeast of the district (Huntingdon, St Ives, and St Neots).



The IBF highlights that pools on One Leisure sites are approaching the end of their life cycle and will need refurbishment or replacement in the short term. Whilst suggestions are made re: future pool space, these are made in the absence of a specific Aquatic Strategy and based on the IBF strategy report, demand, and observation. Therefore, it is suggested that future provision should be based on a 6-lane x 25m pool, with a separate teaching pool; the viability of a moveable floor should be explored at feasibility and OBC stage as this would provide optimum pool flexibility and increase swim school capacity. If the 6-lane pool was the standard specification for refurbishment or replacement of existing pools at the three sites where there is unmet demand (as above) this would exceed the provision shortfall based on the Sport England Facility Calculator 0.7 of a pool (3 lanes) but meet the higher Swim England needs estimate.

Huntingdon Leisure Centre is split over two separate site, dry side provision is within HDC ownership and is new, compared to the aging wet side provision that c. 200m away and accessed via an external pathway. The sports and leisure footprint at Huntingdon has Town, District and County Council land ownership including Tennis and Bowls facilities leases to clubs by the Town Council and a cricket field that is infrequently used (possibly due to dilapidated condition of the pavilion) that is also in the ownership of the Town Council. If a shared vision for the entire site could be developed and agreed with stakeholders, there is genuine potential to create a sports hub at this site.

One Leisure have previously operated the pool and leisure facilities at Sawtry on behalf of the Cambridge Meridian Academy Trust (CMAT). The pool, like HDC's pool stock will be in the need of investment in the short to medium term and has been under the threat of closure for some time and was closed by CMAT in December 2022. If HDC were to progress the redevelopment of its own pools, gaining access to operate the Sawtry site on a fixed term arrangement could mitigate the displacement of swimming lessons and keep the pool open for community use in the short term.

The IBF and PPOSS highlight deficiencies in supply in a number of other activities, there is a shortfall of three 3G pitches across the district, c. 500 fitness stations, dance studios and a 4-court sports hall, for One Leisure these are core activities and should be considered as investment priorities too.

The Football Foundation could potentially provide a high % of the capex required to install a new 3G fenced and floodlit pitch, which are normally positive revenue generators. Locating a new 3G pitch at the St Ives Outdoor site could help expand the sports hub concept; whilst the poor condition of a small sand filled Artificial Turf Pitch at Ramsey could potentially be converted into a small 3G pitch or small sided junior games or training.

In consideration of generating revenues at this site, and the sustainability of One Leisure per se, the 'blue sky' thinking should not be bounded by the IBF and PPOSS; the café/bar is looking tired and unappealing, the scope of feasibility work should therefore consider secondary income opportunities such as refurbishing the bar area that could become the focal point of the sport hub, scoping the viability of installing a golf driving range, adventure golf or high ropes course to generate revenue and support the café/bar are all potential options that will also create a different offer and broaden the appeal and customer base.

The Council is likely to be the principal funder of One Leisure facilities, with the Council's own capital programme and the PWLB being the most likely primary source of funding for most schemes. Sport England are no longer a major funder of capital schemes but may be a potential contributor along with some sport specific National Governing Bodies (NGB). The Football Foundation have been known to contribute 90%+ of funding for new 3G pitches and pitch development. The government's Public Sector Decarbonisation Scheme continues to offer a potential funding stream to support the decarbonisation programme across the leisure estate, as it has already done so at Ramsey Leisure Centre. Although the Levelling Up Fund administered by the Department of Levelling Up Housing & Communities has not directly allocated funds to leisure, as Huntingdonshire continues to grow, developer contributions through s106, or CIL funding and future government regeneration programmes could become a possibility for sport and leisure schemes. If the Council were to implement a NDPO solution either with a third-party or a LATC, then consideration could be given to

the reinvestment of some of the NNDR efficiencies back into the service, this would clearly require negotiation with the operator and subject to the financial position of the Council.

The health sector through the ICS and regional ICB could also be potential funding partners for integrated facilities and the co-location of services where there are opportunities to bring public leisure and public health closer together under the principles of the One Public Estate approach.

It should be remembered that the IBF and PPOSS are district wide strategies, aside from the Council's own facilities, it should be an advocate and facilitator for specialist or one sport clubs and other organisations to develop and provide new or better facilities. However, this does not automatically translate to the Council becoming the principal funder, as the Council cannot provide facilities for every sport; clubs and organisations should be encouraged to fund raise and seek grant funding as widely as possible.

Realisation of significant investment will take several years to bring to fruition, feasibility studies, OBC's and securing funding to deliver schemes is likely to result in delivery as medium to long term objectives. The immediate investment priorities are indicated in the table below.

Table 1 Investment Priorities

| Theme           | Action  | Outcome  |
|-----------------|---|--|
| Decarbonisation | Feasibility Study of Huntingdon Dry Side site.<br><br>Feasibility of all other sites in line with investment strategy.  | Implementation of decarbonisation plan at Huntingdon Dry Side site<br><br>Implementation of decarbonisation works aligned to agreed investment strategy.<br><br>Supports HDC Climate Strategy; and financial sustainability of One Leisure.  |
| Swimming Pools  | 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<br><br>Explore the viability of an interim solution for retaining/increasing capacity and community access at Sawtry Swimming Pool.<br><br>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.<br><br>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.<br><br>On completion of feasibility studies, commission OBC's as determined by | Aquatic Strategy produced setting out a vision and long-term options for developing and sustaining aquatic activity in the HDC area.<br><br>Interim arrangement agreed with CMAT to access & operate Sawtry Swimming Pool and meet demand and access targets.<br><br>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.<br><br>Replacement of ageing pools will ensure current and future demand is met by increasing capacity, improving the customer experience, protecting existing and growing revenues.<br><br>Reprovision of the entire leisure centre at St Neots to a new site would provide a |

|                             |   |   |
|-----------------------------|---|---|
|                             | <p>feasibility findings; the indicative priority order would be:</p> <ol style="list-style-type: none"> <li>1. Huntingdon</li> <li>2. St Neots</li> <li>3. St Ives</li> </ol>   | <p>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 delivery 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 &amp; 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>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>Addresses identified shortfall in 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</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>   |

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|                          |  |   |
|--------------------------|--|---|
|                          | <p>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>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 Golf at St Ives Outdoor; Laser Tag; High Ropes etc.</p> <p>Where financial viability is evident progress schemes to OBC stage.</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> <p>Complete OBC's as determined from feasibility work and secure funding for full business case and delivery.</p> |

The indicative costs of scheme delivery are illustrated in Appendix 5 (Sport England – Design and Cost Guidance); however, before delivery can be contemplated there is the feasibility and business case stages to undertake. Table 2 (below) provides an estimate of resources required to deliver the immediate facility and service investment priorities included proposals as highlighted in Table 1 (above).

Table 2 Preliminary Investment Priority Costs

| Action   | Indicative Cost  |
|--|--|
| Decarbonisation Feasibility  | £8k - £10k per site*   |
| Deliver Decarbonisation Scheme   | Variable - determined by Feasibility Study*  |
| Produce an Aquatic Strategy  | £10k - £12k  |
| Digital Innovation   | £20k   |
| Sawtry Swimming Pool Interim Access Arrangement **   | HDC Officer Time (c.£5k-£8k)<br>Leisure/Legal/Finance etc.   |
| Huntingdon Sports & Health Hub Feasibility & Master Plan   | £15k + Officer Time (c. £5k)   |
| St Neots Leisure Centre Feasibility (including re-provision options)   | £15k + Officer Time (c. £5k)   |
| St Ives Leisure Centre (Indoor) Pool Expansion Feasibility   | £12k -15k + Officer Time (c. £5k)  |
| Ramsey Leisure Centre Gym Expansion  | £50k – 70k   |
| Sports Halls Feasibility   | Included within Huntingdon Feasibility (c.£3k - £5k if not viable at Huntingdon)   |
| Fitness – Additional Stations  | HDC Officer Time (c. £5k)  |
| Dance Studios – Refurbishment Programme and Relocation   | HDC Officer Time for options(c.£3k); c. £20k - £25k for delivery.  |
| 3G Pitches Feasibility & Delivery at St Ives (Outdoor) and small 3G at Ramsey  | £1.4m***   |
| Commercial Opportunities <ul style="list-style-type: none"> <li>• Café Bar Refurbishment Design &amp; Delivery</li> <li>• Feasibility of Commercial Opportunities</li> <li>• Delivery of Commercial Project</li> </ul> | <ul style="list-style-type: none"> <li>• £5k (Design) £30k - £35k (Delivery)</li> <li>• £10k - £15k</li> <li>• Delivery costs determined by feasibility £300k - £1m</li> </ul> |

\*Costs at Ramsey should be used as a guide (potential funding from Government Public Sector Decarbonisation Fund)

\*\*Action linked to pool refurbishment/replacement

\*\*\*Football Foundation could potentially grant fund a high % of capex

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
- Corporate capacity to deliver

Notwithstanding the above, an indicative facility and service capital investment programme is illustrated below in Table 3 and reflected in the 3-Year Action Plan at Appendix 6. The indicative capital costs are derived from the Sport England Design and Cost Guidance (2023 Quarter 2) as appropriate. It should be noted that the indicative costs are for new provision, the guidance is included at Appendix 5, it will also be important to acknowledge the caveats applied by Sport England to these costs.

At this stage it is not possible to provide a cost vs benefit analysis for the proposed schemes, only once the Feasibility Studies have determined what is possible and what the variant options may be can the detailed analysis and various options be developed as part of the Outline Business Case(s) work to provide a firmer indication of the expenditure (capital and revenue) and the projected financial returns and other non-financial benefits of the scheme. At this stage, it is suggested that a capital requirement is 'earmarked' within the capital programme pending the above activities.

There are some benefits to commissioning the various elements of the feasibility studies of a similar nature at the same time e.g. the Decarbonisation Feasibility Studies across the 3 remaining sites (Huntingdon, St Ives and St Neots); likewise grouping the Facility Development Feasibility Studies for these sites may not only secure some economies of scale but will also help determine 'right sizing' the Council's leisure estate and any land assembly, ownership and construction, challenges that may change the suggested programming of the procurement and physical works.

**Table 3 Indicative Capital Investment Programme**

| 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 <sup>1</sup> - £11.56m <sup>2</sup> |
| St Neots Leisure Centre Feasibility               | X          |             |           | £25k                                      |
| St Neots Leisure Centre Delivery                  |            | X           | X         | £12.36m <sup>3</sup>                      |
| St Ives Leisure Centre Pool Expansion Feasibility | X          |             |           | £20-25k                                   |
| St Ives Leisure Centre Pool Expansion Delivery    |            | X           | X         | £5.85m <sup>4</sup> - £7.5m <sup>5</sup>  |
| Ramsey Leisure Centre Gym Expansion               | X          |             |           | £50k - £70k                               |
| Sports Halls Feasibility                          | X          |             |           | £3k - £5k <sup>6</sup>                    |
| Sports Halls Delivery                             |            | X           | X         | £2.86m <sup>7</sup>                       |
| Fitness – Additional Stations                     | X          | X           | X         | £200k - £600k <sup>8</sup>                |
| Dance Studios – Refurbishment Programme           | X          | X           |           | £23k - £28k                               |
| 3G Pitches Feasibility                            | X          |             |           | £20k - £25k <sup>9</sup>                  |
| 3G Pitches Delivery                               | X          | X           |           | £1.4m <sup>10</sup>                       |
| 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 <sup>11</sup>                 |

<sup>1</sup> 6-lane x25m pool plus secondary pool

<sup>2</sup> 4 court sports hall

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

<sup>4</sup> Assumes a new 6-lane x25m pool and an allowance for retro-fit

<sup>5</sup> Allowance for retrofit construction & additional spectator seating

<sup>6</sup> If not feasible to provide at Huntingdon Sports & Health Hub

<sup>7</sup> If not delivered at Huntingdon Sports & Health Hub

<sup>8</sup> Cost variation determined by recipient of equipment i.e. private clubs etc

<sup>9</sup> Potential Football Foundation grant funded

<sup>10</sup> Potential Football Foundation grant funded

<sup>11</sup> Cost determined by feasibility work, and Return on Investment potential

### **Conclusions – Built Facilities & Playing Pitch Strategies**

The production of a financial appraisal as phase 2 of the IBF and PPOSS 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 IBF and PPOSS 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 delivery model and sustainability on the current operating 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 yrs.) & Long-Term Operating Models (5+ yrs.)

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### Future Operating Models

As commented on previously it is clear that the leisure sector and its long-established delivery models has changed 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.

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.

The potential for a Cambridgeshire Joint Area Delivery Model exists as a medium- and long-term option, however it is a complex arrangement and would require coordinating, possibly initiated by the Combined Authority, subsequently led by the local authorities involved in it and the close alignment of contract terms.

The delivery 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 in 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 is generally a long-term commitment of c.20 years or longer.

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.

An investment in feasibility studies and the OBC's that follow will determine what the capital investment priorities will and should be. The IBF and PPOSS 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 commented on above 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.



### **Conclusions – Medium & Long-Term Operating Models**

It would be prudent to review the operating model periodically, doing this on a 3–5-year cycle is considered to be reasonable approach. 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.

# Recommendations

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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 delivery 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.

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- 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.

# Appendices

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## Appendix 1 – Client Specification

### 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 2 – Consultees

|                        |  |
|------------------------|--|
| <b>Elected Members</b> |  |
| Stephan 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 |
|                        |  |
| <b>Officers</b>        |  |
| 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                   |

### **Appendix 3 –NNDR Site Cost**

|  |          |
|--|----------|
| Huntingdon Leisure Centre                  | £181,000 |
| St Ives Leisure Centre (inc. Burgess Hall) | £290,000 |
| St Ives Outdoor Centre                     | £164,000 |
| St. Neots Leisure Centre                   | £155,000 |
| Ramsey Leisure Centre                      | £327,500 |

NB: The discretionary rates relief policy is capped at £51,000.

The 80% NNDR relief afforded to charities and other NPDO forms would result in the Council not receiving 40% of this sum and be illegible to receive any reimbursement (via Section 31) grant on this 80% relief.

The charity or NPDO would still be liable for the remaining 20% of which the Council would receive 40% of this sum.

## Appendix 4 – Leisure Covid Recovery

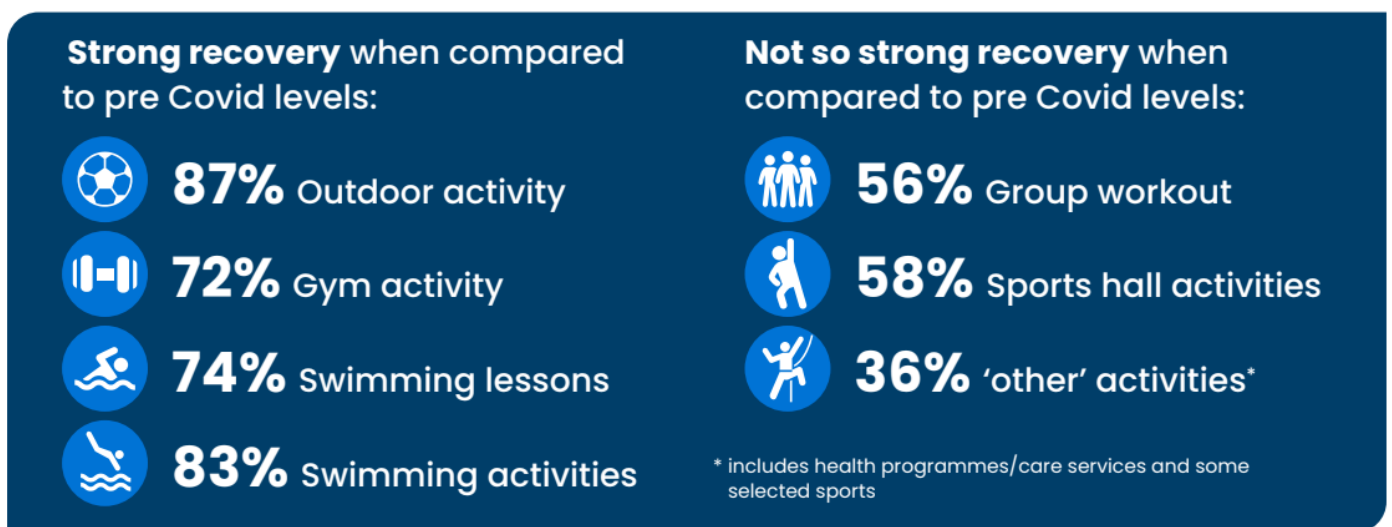
Extracts from Sport England's *Moving Communities* report April 2022

Whilst participation levels across all activities have recovered to 65% of pre Covid levels, this recovery has not been consistent between different types of activities (see Graphic 1).

Outdoor activity not unsurprisingly became more popular during the pandemic and has led the way with post Covid recovery closed followed by swimming and the appetite for swimming lessons remains positive (see Graphic 2).

Graphic 3 illustrates the different rates of recovery across the country

Graphic 1





Graphic 2



Empowering decision makers... meeting needs...  
improving standards... moving communities

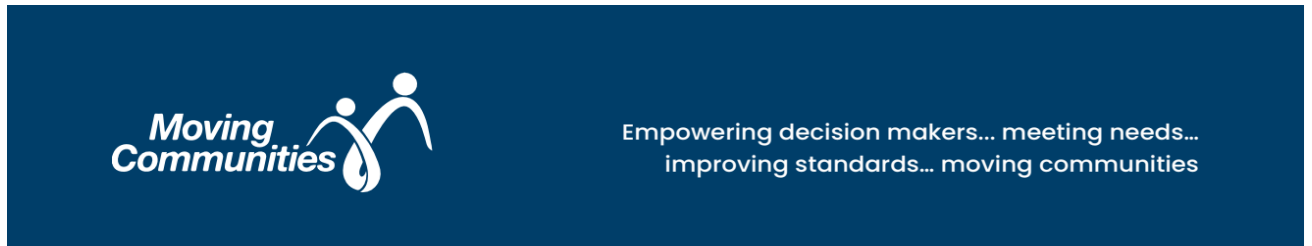
Group workout classes continue to be 80% female in terms of participant breakdown and outdoor activities have been attended by just over 10% more women in 2021/22 than pre pandemic.

The strong recovery in swimming lessons is being driven significantly by children and young people, with 93% of attendees aged 15 or under. There's been a gradual monthly increase in pool use over the April 2021 – Jan 2022 period to where in January as a stand alone month, both swimming activities and swimming lessons were over 100% of their pre Covid levels. The impact of rising energy prices will be significant on whether pools continue to open and provide participation opportunities.



| 2021/22   | Swimming Activities | Swimming Lessons |
|-----------|---------------------|------------------|
| April     | 60.7%               | 67.2%            |
| May       | 86.3%               | 77.9%            |
| June      | 94.1%               | 84.2%            |
| July      | 98.2%               | 84.2%            |
| August    | 117.3%              | 90.9%            |
| September | 112.6%              | 94.1%            |
| October   | 116.1%              | 94.5%            |
| November  | 113.3%              | 95.7%            |
| December  | 110.9%              | 96.3%            |
| January   | 114.5%              | 101.8%           |

Graphc 3

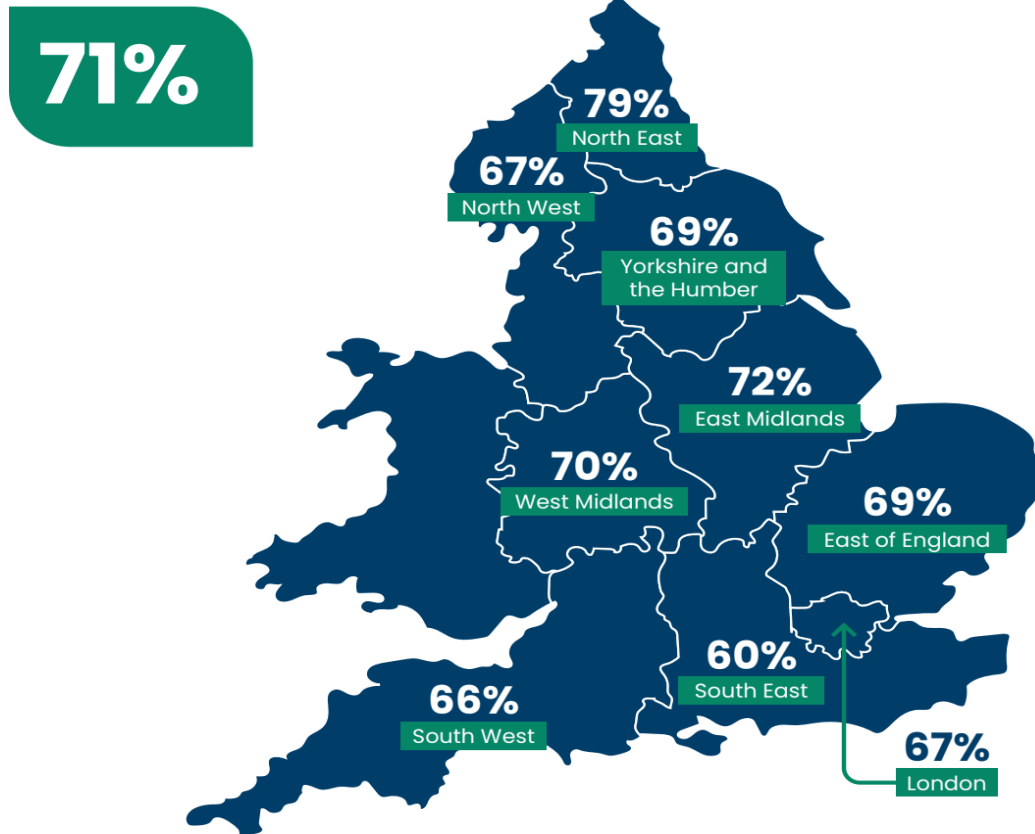


## Regional Analysis

This map shows the recovery rates of visits across different regions in England across 793 sites between April 2021 – Jan 2022, compared to the same period in 2019/20.

Visits to leisure centres located in minor urban areas recovered at a higher rate (71%) compared to visits to centres located in urban cities or towns (66%), or rural areas and major urban areas (67%).

## National Average



## Appendix 5 – Sport England Design & Cost Guidance

### 2nd quarter 2023 facility cost updates

The following costs are for the development of good quality community sports facilities at 2Q2023. These rounded costs are based on typical schemes funded through the Lottery and where applicable, based on pdf layouts developed in accordance with Sport England design guidance.

Tender prices are forecast to have increased by 5% in the 12 months to 2Q2023.

Labour site rates continue to rise faster than wage awards and are expected to be the main driver of growth in overall costs in the second half of 2023. There is a shortage of construction labour which is expected to push up wages over the next two years.

The rate of materials cost inflation has been easing and many supply chain issues have been resolved. Prices for concrete, cement, bricks and tiles continue to rise, whereas the prices of, for example steelwork and reinforcement has reduced. Overall availability seems to be close to pre-covid levels.

New work output is forecast to contract in 2023 and 2024, returning to slow growth thereafter.

Climate goals may help support the infrastructure sector, but other sectors should benefit as retrofitting becomes more attractive.

Tender prices are forecast to rise by approximately 3% per annum in 2023, 2024 and 2025 with variation due to procurement and project type, and regional factors.

### Facility Costs 2Q2023 (Revision 1)

| Facility type/ details  | Area (m <sup>2</sup> ) | Capital cost (£) |
|---|------------------------|------------------|
| <b>Indoor facilities</b>  |                        |                  |
| <b>Affordable Sports Halls</b>  |                        |                  |
| • 1-court hall (18 x 10 m)  | 382                    | 860,000          |
| • 2-court hall (18 x 17 m)  | 515                    | 980,000          |
| • 4-court hall (34.5 x 20 m)  | 1,532                  | 2,860,000        |
| • 5-court hall (40.6 x 21.35 m)   | 1,722                  | 3,095,000        |
| • 6-court hall (34.5 x 27 m)  | 1,773                  | 3,135,000        |
| • 8-court hall (40 x 34.5 m)  | 2,240                  | 3,920,000        |
| • 10-court hall (40.6 x 42.7 m)   | 2,725                  | 4,715,000        |
| • 12-court hall (60 x 34.5 m)   | 3,064                  | 5,195,000        |
| <b>Affordable Community Swimming Pools</b>  |                        |                  |
| • 4-lane 25 m pool (25 x 8.5 m)   | 1,084                  | 4,450,000        |
| • 5-lane 25 m pool (25 x 10.5 m)  | 1,344                  | 5,390,000        |
| • 6-lane 25 m pool (25 x 12.5 m)  | 1,543                  | 5,850,000        |
| • 6-lane 25 m pool (25 x 12.5 m) plus secondary pool (13 x 7 m)   | 1,850                  | 6,970,000        |
| • 8-lane 25 m pool (25 x 17 m)  | 1,878                  | 7,050,000        |
| • 8-lane 25 m pool (25 x 17 m) plus secondary pool (17 x 7 m)   | 2,226                  | 8,090,000        |
| <b>Affordable Sports Centres with Community 25 m Pool Options</b>   |                        |                  |
| • 4-lane 25 m pool, 4-court hall, 50-station health and fitness gym plus studio   | 2,879                  | 9,560,000        |
| • 6-lane 25 m pool, 4-court hall, 100-station health and fitness gym plus 2 studios   | 3,553                  | 11,220,000       |
| • 6-lane 25 m pool plus learner pool, 4-court hall, 100-station health and fitness gym plus 2 studios                       | 3,906                  | 12,360,000       |
| • 8-lane 25 m pool plus learner pool, 5-court hall, 100-station health and fitness gym plus 2 studios                       | 4,509                  | 13,685,000       |
| <b>Affordable Sports Centres with Community 50 m Pool Options</b>   |                        |                  |
| • 8-lane 50 m pool with boom and 23.5 m-long movable floor, 5-court hall, 100-station health and fitness gym plus 2 studios | 5,592                  | 19,970,000       |
| • 8-lane 50 m pool plus learner pool, 5-court hall, 100-station health and fitness gym plus 2 studios                       | 6,115                  | 20,230,000       |
| • 8-lane 50 m pool plus learner pool, 5-court hall, 150-station health and fitness gym plus 3 studios                       | 6,499                  | 20,915,000       |

| Facility type/ details   | Area<br>(m <sup>2</sup> ) | Capital<br>cost (£) |
|--|---------------------------|---------------------|
| <b>Indoor facilities continued</b>   |                           |                     |
| <b>Bowls centres (indoor)</b>  |                           |                     |
| • 6 rinks (excludes club/ function room)   | 1,914                     | 2,595,000           |
| • 8 rinks (includes club/ function room)   | 2,500                     | 3,390,000           |
| <b>Changing rooms/ clubhouses (traditional construction)</b>                     |                           |                     |
| • 2 team changing rooms plus officials   | 75                        | 300,000             |
| • 4 team changing rooms plus club room   | 245                       | 785,000             |
| <b>Tennis centre (indoor)</b>  |                           |                     |
| • 3-court centre   | 2,138                     | 2,930,000           |
| • Extra court  |                           | 955,000             |
| <b>Outdoor facilities</b>  |                           |                     |
| <b>Cricket pitch</b>   |                           |                     |
| • 1-bay practice cage on macadam base (32 x 3 m)                                 | 96                        | 40,000              |
| • Match pitch on macadam base (32 x 3 m)   | 96                        | 25,000              |
| <b>Grandstand</b>  |                           |                     |
| • 500 seats, no undercroft   |                           | 805,000             |
| <b>Skate park</b>  |                           |                     |
| • 40 x 18 m, fenced, sports lighting   | 720                       | 185,000             |
| <b>Artificial grass pitches (AGPs)</b>   |                           |                     |
| <b>Football AGP</b>  |                           |                     |
| • U9/ U10/ training 23 mm sand-filled pitch, fenced, sports lighting (61 x 43 m) | 2,623                     | 440,000             |
| • U9/ U10/ training 40–50 mm 3G pitch, fenced, sports lighting (61 x 43 m)       | 2,623                     | 485,000             |
| • U9/ U10/ training 60–65 mm 3G pitch, fenced, sports lighting (61 x 43 m)       | 2,623                     | 510,000             |
| • Senior 23 mm sand-filled pitch, fenced, sports lighting (106 x 70 m)           | 7,420                     | 1,030,000           |
| • Senior 40 mm 3G pitch, fenced, sports lighting (106 x 70 m)                    | 7,420                     | 1,115,000           |
| • Senior 50 mm 3G pitch, fenced, sports lighting (106 x 70 m)                    | 7,420                     | 1,120,000           |
| • Senior 60 mm 3G pitch, fenced, sports lighting (106 x 70 m)                    | 7,420                     | 1,140,000           |
| • Senior 65 mm 3G pitch, fenced, sports lighting (106 x 70 m)                    | 7,420                     | 1,170,000           |

| Facility type/ details  | Area<br>(m <sup>2</sup> ) | Capital<br>cost (£) |
|---|---------------------------|---------------------|
| <b>Artificial grass pitches (AGPs) continued</b>  |                           |                     |
| <b>Hockey AGP</b>   |                           |                     |
| • 18 mm sand-dressed pitch, fenced, sports lighting (101.4 x 63.0 m)  | 6,388                     | 950,000             |
| • 23 mm sand-filled pitch, fenced, sports lighting (101.4 x 63.0 m)   | 6,388                     | 890,000             |
| • Water-based pitch, fenced, sports lighting (101.4 x 63.0 m)   | 6,388                     | 1,060,000           |
| <b>Rugby League AGP</b>   |                           |                     |
| • Senior 65 mm 3G pitch, fenced, sports lighting (122 x 74 m)   | 9,028                     | 1,440,000           |
| <b>Rugby Union AGP</b>  |                           |                     |
| • Senior 65 mm 3G pitch, fenced, sports lighting (130 x 80 m)   | 10,400                    | 1,550,000           |
| <b>Macadam surfaces</b>   |                           |                     |
| <b>Athletics track</b>  |                           |                     |
| • 6-lane track with 110 m straight both sides, grass infield, artificial-surfaced throws, jumps and end fans, sports lighting |                           | 1,705,000           |
| • 8-lane track with 110 m straight both sides, grass infield, artificial-surfaced throws, jumps and end fans, sports lighting |                           | 1,855,000           |
| <b>Multi use games area</b>   |                           |                     |
| • Macadam, fenced, sports lighting (36.60 x 21.35 m)  | 782                       | 180,000             |
| <b>Tennis courts (outdoor)</b>  |                           |                     |
| • 2 courts, macadam, fenced, sports lighting (36.58 x 33.53 m)  | 1,227                     | 245,000             |
| • 4 courts, macadam, fenced, sports lighting (36.58 x 64.01 m)  | 2,342                     | 435,000             |
| • 6 courts, macadam, fenced, sports lighting (36.58 x 94.49 m)  | 3,456                     | 570,000             |

| Facility type/ details  | Area (m <sup>2</sup> ) | Capital cost (£) |
|---|------------------------|------------------|
| <b>Natural turf surfaces</b>  |                        |                  |
| <b>Bowling natural turf green</b>   |                        |                  |
| • Flat or crown green (40 x 40 m)   | 1,600                  | 170,000          |
| <b>Cricket natural turf pitch</b>   |                        |                  |
| • Cricket pitch with 8-pitch square and 2 winter sport pitches(125.6 x 164.4 m) | 20,649                 | 345,000          |
| <b>Football natural turf pitches</b>  |                        |                  |
| • U8/ U7 mini pitch (43 x 33 m)   | 1,419                  | 30,000           |
| • U16/ U15 youth pitch (97 x 61 m)  | 5,917                  | 90,000           |
| • Senior pitch (106 x 70 m)   | 7,420                  | 110,000          |
| <b>Rugby League natural turf pitch</b>  |                        |                  |
| • Senior pitch (122 x 74 m)   | 9,028                  | 145,000          |
| <b>Rugby Union natural turf pitch</b>   |                        |                  |
| • Senior pitch (130 x 80 m)   | 10,400                 | 165,000          |
| <b>Carpet-hybrid surfaces for community use</b>                                 |                        |                  |
| <b>Football carpet-hybrid pitches</b>   |                        |                  |
| • U8/ U7 mini pitch (43 x 33 m)   | 1,419                  | 95,000           |
| • U16/ U15 youth pitch (97 x 61 m)  | 5,917                  | 370,000          |
| • Senior pitch (106 x 70 m)   | 7,420                  | 460,000          |
| <b>Rugby League carpet-hybrid pitch</b>   |                        |                  |
| • Senior pitch (122 x 74 m)   | 9,028                  | 555,000          |
| <b>Rugby Union carpet-hybrid pitch</b>  |                        |                  |
| • Senior pitch (130 x 80 m)   | 10,400                 | 650,000          |

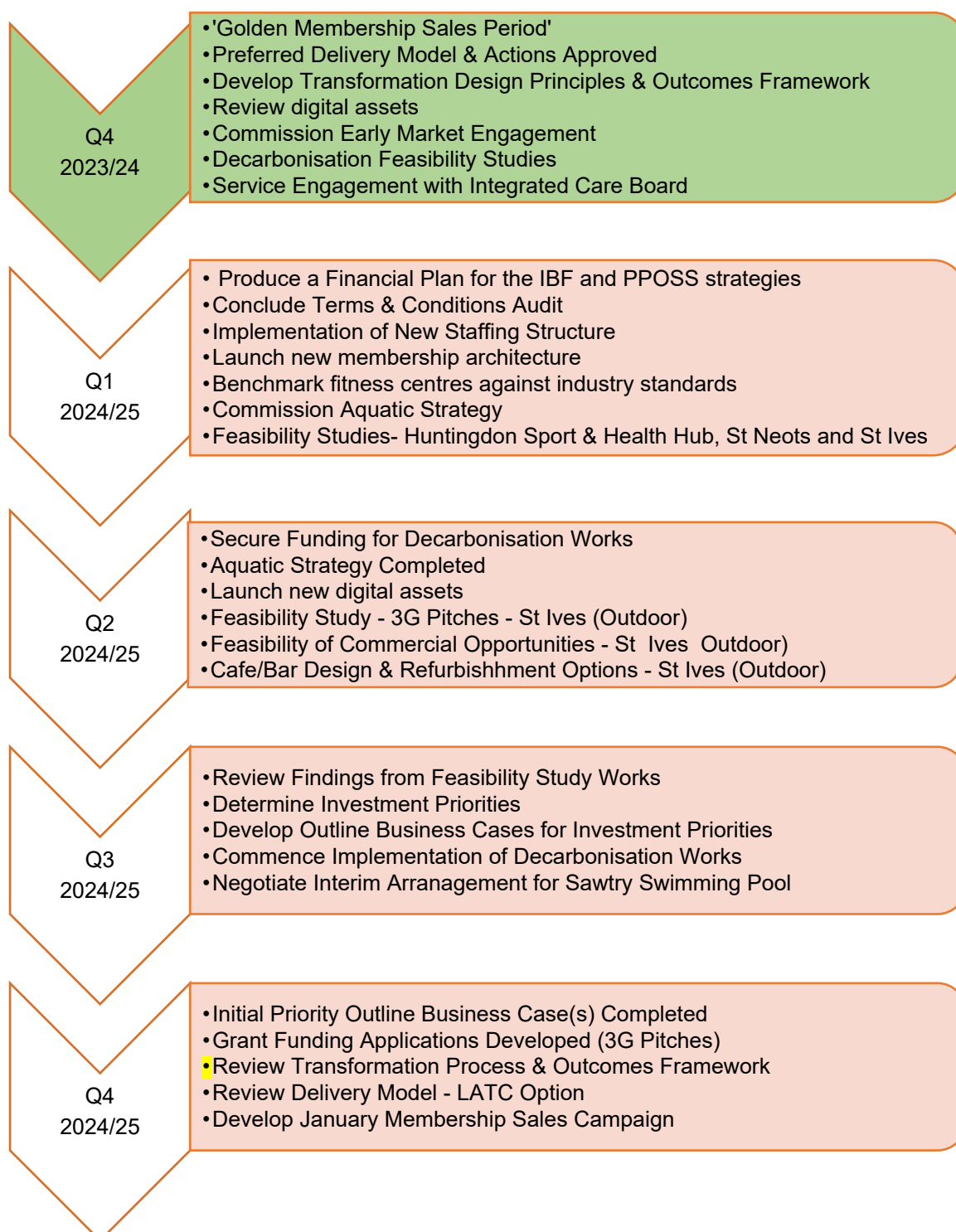
## Notes

1. The area for buildings is the gross internal floor area (GIFA).
2. The area for pitches typically includes safety run-offs.
3. The sizes for artificial, natural turf and carpet-hybrid pitches reflect current or developing best practice or NGB recommendations.
4. The costs for:
  - Affordable Sports Halls;
  - Affordable Community Swimming Pools;
  - Affordable Sports Centres with Community 25 m Pool Options;
  - Affordable Sports Centres with Community 50 m Pool Options;align with the costs included in the Sport England publications of the same name updated to 2Q2023. The reader is referred to these documents and their appendices for further information on sizes and general arrangement layouts.
5. The costs include the following:
  - External works allowance (car parks, roads, paths, services connections etc) averaged at 12% of the sports facility costs;
  - 12 months maintenance/grow-in costs for natural turf and carpet-hybrid pitches;
  - Allowance for fees inclusive of project management (PM), site investigation (SI), planning and associated fees.
6. The fees for:
  - Artificial grass pitches;
  - Macadam outdoor surfaces;
  - Natural turf pitches;
  - Carpet-hybrid pitches;are included at 6% (inclusive of PM, SI, planning and associated fees).
7. The costs exclude the following:
  - Project specific details/ information, poor ground conditions, difficult access, long service connections;
  - Site remodelling, pump and sump systems and SuDS attenuation for natural turf and carpet-hybrid pitches;
  - Inflation beyond 2Q2023;
  - VAT;
  - Land acquisition costs;
  - Regional cost variations in materials and labour.

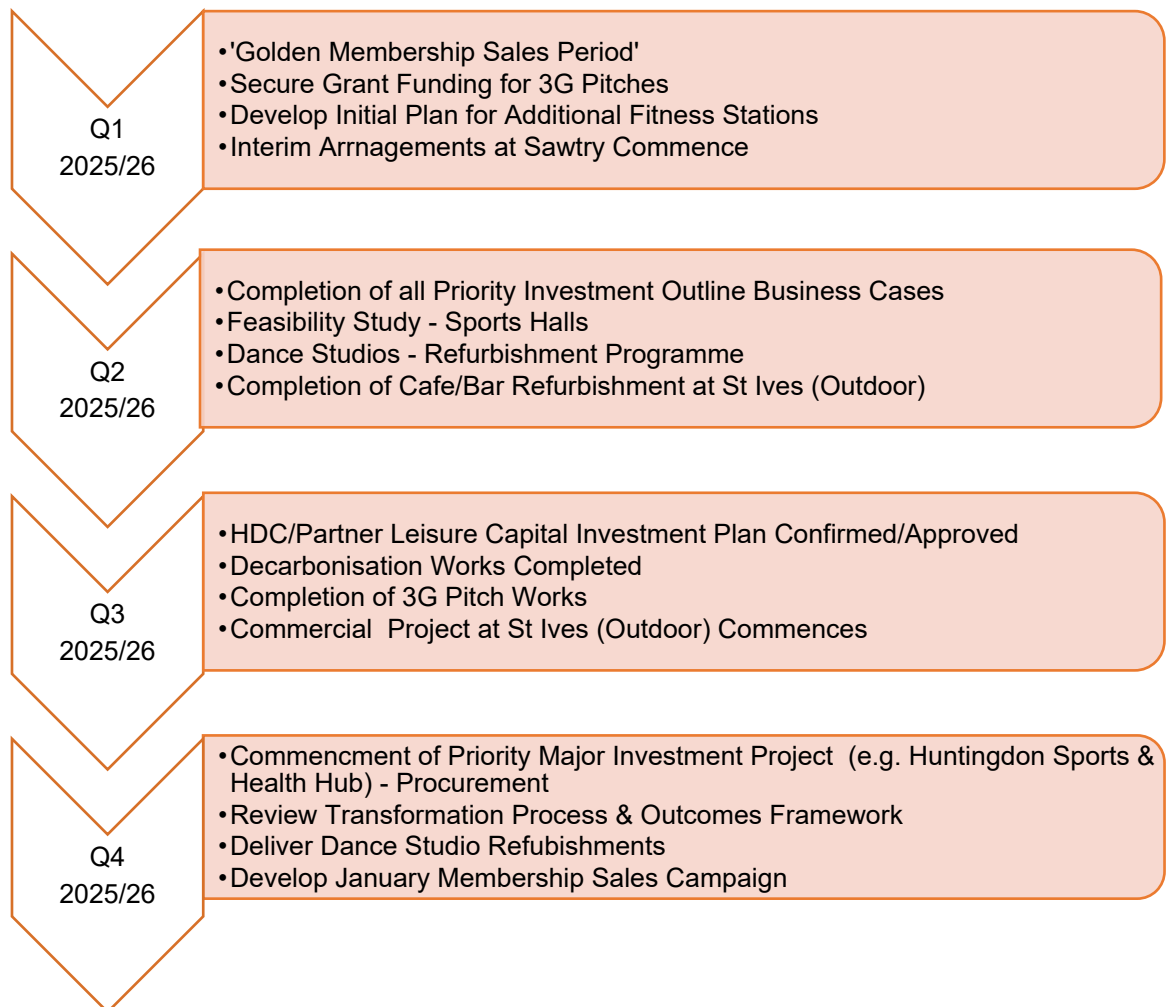


## Appendix 6 – 3-year Action Plan

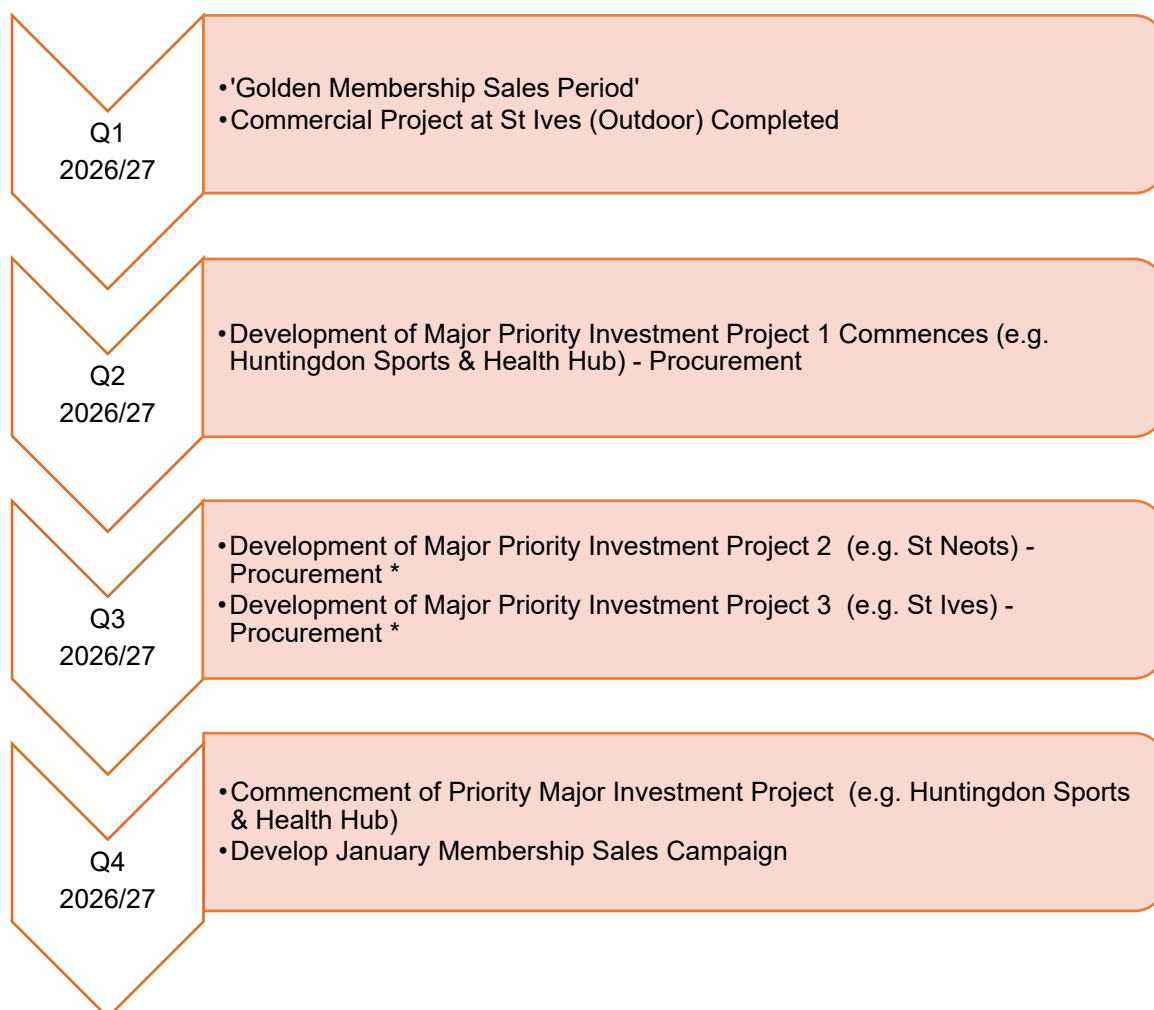
### Year 1



## Year 2



### Year 3



\*Review progress of capital schemes to determine capacity and service delivery issues and update Action Plan accordingly.