

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

11 FEBRUARY 2016

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET

THE FUTURE MANAGEMENT ARRANGEMENTS FOR THE COUNCIL'S LEISURE FACILITIES.

Leader of the Council – Councillor Bob Cook

SUMMARY

Tees Active was set up by Stockton Council and has been operating Stockton Council Leisure facilities since May 2004. They were formed as a charitable social enterprise, an industrial and provident society, for the benefit of the community. They are a non-profit distributing company with all surpluses reinvested into the service.

Over the past decade SBC and TAL has developed a strong strategic partnership, jointly investing in facility improvements and planning services for the long-term, achieving continuous growth in usage for reduced subsidies. Since 2004 TAL have reduced the subsidy per visitor from £1.66 to 75p.

To ensure continuity of this strategic alliance, giving TAL planning certainty as a basis for commercial investment decisions, officers are seeking approval to enter a further funding agreement beyond the term of the current agreement.

TAL currently manage Billingham Forum, Splash, Thornaby Pavilion, Thornaby Pool, The River Tees White Water Course (which also includes the Sky-Climb facility).

The future funding will be on a reducing basis, reflecting continued budget pressures.

RECOMMENDATIONS

1. To enter a new funding agreement with Tees Active to allow them to continue to deliver leisure services in Stockton beyond 2019, and to delegate to the Director of Culture, Events & Leisure, in conjunction with the Leader of the Council, agreement of detailed terms of the funding agreement.

Reasons for the Recommendations/Decision(s)

To allow Tees Active to develop medium terms plans for leisure services and the management of the SBC leisure facilities that accommodate a further reduction in subsidy from SBC. These plans

are likely to include changes in structure, and the development of new aspects of provision requiring small scale investment, which cannot be implemented effectively within the remaining 3 year term of the current funding agreement. The decision also enables the alignment of future funding with the terms of the facility leases.

Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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TAL currently manage Billingham Forum, Splash, Thornaby Pavilion, Thornaby Pool, The River Tees White Water Course (which also includes the Sky-Climb facility).

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1. RECOMMENDATIONS

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2. DETAIL

Introduction

1. Tees Active Limited (TAL) was developed by SBC to manage the Council's leisure buildings. TAL have operated since 2004 when a fifteen year funding agreement was reached to achieve the following aims
 - To improve the quality of the service

- To increase the number of users and thereby the number of active people in the SBC area
 - To manage the Council's leisure facilities, on transfer this was Billingham Forum, Thornaby Pool, thornaby Pavilion, Splash and Stockton Sports Centre
2. From 2010 TAL were additionally tasked with reducing the management fee incrementally as part of the efficiency drive by the council to meet reductions in public expenditure.
 3. The current funding agreement is due to end in April 2019. However, the leases for the facilities managed by TAL run beyond 2019. Also, in order to deliver service changes that achieve the savings sought by the Council, TAL believe they need security of tenure and planning certainty for a longer term than the remaining 3 years of the current funding agreement.
 4. SBC, with support from an independent specialist, has undertaken a review of the TAL performance in order to decide whether or not to enter a new funding agreement or plan for a different future.
 5. SBC and TAL are positive about the current partnership and it has proven to be successful. Importantly, the culture of TAL as a charitable social enterprise aligns well with that of SBC and it is not difficult to find common goals and objectives. TAL as SBC are working for the benefit of the community with strong links to other organisations in the area helping to make Stockton a better place for people to live and to flourish.
 6. Officers believe that TAL can continue to deliver an excellent service within new financial constraints whilst developing an even sharper focus on social objectives.

What has been achieved against the 3 Key Objectives since 2004?

Service Quality

7. The following is a snapshot of the external indicators relating to TAL's quality of service delivery;
 - Published and displayed performance standards reflected in a 95% plus approval rating from customers
 - An outstanding SBC Scrutiny review in 2009 that states - "The committee found that Tees Active has more than achieved against its original aims and would like to congratulate Tees Active on its achievements"
 - Holder of Customer Service Excellence Standard with outstanding levels of compliance
 - Adopted Health and Safety Performance Model HSG65
 - Adopted 2 environmental standards – ISO1401 for Environmental Policy and ISO 5001 for Energy Policy

Increased User Numbers

8. Since 2004 when TAL took over the management of the SBC facilities user numbers have grown from 1,422,000 (in 2003/4) to 1,766,000 (in 2014/15), an increase of 24%.

Throughout the eleven years since taking on the SBC built leisure facilities stock participation at the centre has averaged 2.2% per annum.

9. TAL has also proactively supported individuals in receipt of benefits to access the leisure facilities through their Option 3 Leisure card. Access by Option 3 users increased 43% between 2004-2012, demonstrating the value of differentiated pricing in supporting those most in need.

Renewing and investing in the Leisure Facilities

10. SBC and TAL have worked closely to improve the facilities. With the exception of Splash, the other traditional leisure centre venues were all 1960s developments with all the inherent problems associated with buildings of that age. Since 2004 SBC and TAL have:

- Completed an £18m redevelopment of Billingham Forum, securing its future for the next generation. Approximately £7m was funded by TAL.
- Demolished Stockton Sports Centre and extended Splash to give a 'dry' offer thereby focusing the Stockton town centre offer on one facility (funded by TAL at approximately £2.4m).
- Refurbished Thornaby Pavilion, creating a new gym, new cafe and improved access (funded by TAL at approximately £1m)
- Invested £3.4m in small scale refurbishments, decoration and maintenance such as a new flume for Splash and refurbishment of the Northshore building at The Barrage.

This represents a £24.8mill investment in the facilities of which £13.8m has been contributed by TAL, largely raised through Prudential borrowing in partnership with SBC, demonstrating a record of setting and achieving common goals.

Additional Added Value

11. Along with the achievements secured against the three key objectives TAL has also:

- Reduced SBC contribution to service subsidy from 53% in 2004 to 20% in 2015.
- Reduced subsidy per visit from £1.66 in 2004 to £0.75 in 2015.
- Increased income per visit from £1.55 in 2004 to £3.07 in 2015
- Increased earned income from £2.2m in 2004 to over £5.4m in 2015.
- Funded over £720k per annum prudential Borrowing payments for capital developments.
- Reduced effective operating subsidy by approx. £1.2m
- Developed a range of programmes in partnership with Public Health based on Adult Weight Management, Children and Families Weight Management, Young People Active Health scheme.
- Funded and developed 30 Apprentices all of whom have achieved permanent employment.
- Formed the Tees Active Sports Academy in 2006 to offer tailored support to local talented athletes.

Future opportunities and challenges for TAL

12. SBC have identified the following opportunities and challenges that TAL are required to respond to in making their case for a further funding agreement period. We have stated that we require TAL to:

- Continue to reduce service subsidy in line with reductions to SBC budgets.
- Target subsidy towards financially challenged and physically inactive people – the ‘hard to reach’.
- Improve the use of IT in Customer Relationship Management (CRM) as a tool to increase visits and meet social targets.
- Further develop the relationship with Public Health and the direct impact on the health agenda.
- Continue the growth in overall participation year on year.
- Reduce management overheads and address succession planning.

TAL have established positive plans to deal with the opportunities and challenges identified. Their proposals will be further developed and tested as a basis for conditions of the future funding agreement.

Independent Evaluation of TAL

13. In assessing the quality and viability of TAL, SBC gained an independent perspective and assessment in order to inform the future contract extension/ amendment. The independent assessor concluded that:

‘TAL has, on the back of a strong and positive relationship with SBC, achieved good levels of capital investment in its facilities stock. The company has demonstrated solid business processes and performed at a good level which has enabled it to assist the Council in respect of delivering some of the savings required in recent years.’

The Leisure Market

14. In undertaking the independent assessment of TAL, SBC officers are mindful that there are a number of private sector leisure facility operators managing facilities across the length and breadth of the UK. Of particular interest was the move of a number of local authorities in the North East from in-house or charitable trust delivery to delivery by private sector organisations. As these contracts have only been let in the last 12-24 months it is too early to understand the long term impacts (benefits and challenges) of these public-private partnerships.

15. Whilst the potential costs of engaging with the private sector (in terms of management subsidy) might appear attractive through public-private partnerships, such subsidy reductions could be linked to long term contracts (20-years) and a lessening of control and influence by the local authority on aspects of the leisure operation such as pricing. There may also be uncertainty with regards to supporting access by those most disadvantaged

within our communities through concessionary schemes such as TAL's Option 3 Leisure card.

16. However, it is important that TAL operate at levels of efficiency comparable with other operators. National benchmarks, including Sport England National Benchmarking Service (SENBS) and APSE, suggest TAL's current cost per user of £0.75 is considerably better than the national average (APSE 2012/13 £1.74 per user) and close to the median cost per user for commercially managed facilities (SENBS 2013 £0.65 per user). Updated SNBS comparators will be used to inform the terms of the future funding agreement.
17. Taking all things into account including the already established and long-term strategic partnership, the considerable achievements since 2004 and the independent perspective on TAL as an operator, officers believe that a further funding with TAL is the most effective means to maintain growth in facility use and protect access to leisure provision for the most disadvantaged in our community.

FINANCIAL IMPLICATIONS

18. The management fee for TAL in 2015/16 is £2,396,262 however this includes £720,600 in prudential borrowing relating to investment already made in the leisure facilities, and £343,353 paid to Riverside Leisure for the management of the Forum Theatre. As such the real net leisure service cost is currently £1,332,309.
19. Based on proposals from TAL and expectations already factored into their business plan for the period up to 2018/19 the management fee for TAL would drop to £2,072,644 which would include £720,600 for prudential borrowing and £351,328 paid to Riverside Leisure. The real net leisure service cost will then be £1,000,716.
20. TAL are continuously working with SBC to drive down costs and propose efficiencies in order to reduce the subsidy required from SBC. Their proposals for the period 2016-2019 aim to achieve a further reduction in subsidy of £415,000. They include:
 - Increased income generated through school swimming
 - Increased income from changes to the learn to swim programme
 - Increased sales of Activ8 memberships
 - The review of the senior management structure
 - Installation of an LED lighting scheme
 - Installation of voltage optimisers
 - Increased income from the ice at Billingham Forum

LEGAL IMPLICATIONS

21. As the proposal is to amend the arrangements to make it coterminous with the leases for the buildings there are no legal implications that could arise as part of a contract extension under EU procurement rules.

COMMUNITY STRATEGY IMPLICATIONS

22. The Sport & Active Leisure Strategy has been guided by the strategic priorities/ outcomes identified within both the Corporate Strategy and the Sustainable Community Strategy. The outcomes it will contribute to are many and include:

- Increase in positive activities for young people
- Halting the year on year rise in obesity amongst children under 11 years
- Reduce health inequalities
- Improved personal well-being of older people
- Real choice, control and equal access to facilities and services for older people
- Greater Equality of Opportunity
- Increased opportunities for young children/ young people in care (SCS)
- Reductions in anti-social behaviour/ criminal damage

23. The Strategy will also contribute to the delivery of the following nationally identified priorities:

- Increases in % of 5-16 year olds participating in community sport
- Increase % of adults participating in at least 30 min's of moderate intensity sport and physical activity on at least 3 or more days per week (CPA/ NI8)
- Increased resident satisfaction with sports & leisure services within the borough
- An increase in the % of people participating in local authority sport/ recreation provision

CORPORATE PARENTING

24. Focus and resources will be placed on supporting underrepresented groups to participate in sport & active leisure and this will include children looked after by the Authority to ensure they benefit from the right support mechanisms enabling them to fully engage in sport & active leisure.

CONSULTATION

25. The recommendations of this report don't generate any change in service and don't constitute any change in policy. Individual, specific service and operating changes made by TAL will be subject to consultation with affected groups.

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