

# EXECUTIVE MEMBER DECISION



<b>REPORT OF:</b>	Executive Member for Leisure Culture and Young People (Please Select) (Please Select...)
<b>LEAD OFFICERS:</b>	Director of Public Health (Please Select)
<b>DATE:</b>	<b>7<sup>th</sup> December 2018</b>

<b>PORTFOLIO/S AFFECTED:</b>	Leisure Culture and Young People	(Please Select...)
<b>WARD/S AFFECTED:</b>	Blackburn South East	(Please Select...)

**SUBJECT: Leisure Review - Future of Shadsworth Leisure Centre**

## 1. EXECUTIVE SUMMARY

In 2012/13, the Leisure, Culture and Young People's portfolio undertook a Leisure review with support from Sport England. The review resulted in the Council approving the building of Witton Park Arena and Blackburn Leisure Centre which replaced the ageing and dilapidated facilities at Waves Water Fun Centre.

In 2015 and 2016, in the face of continuing and severe cuts in funding from central government, the portfolio held public meetings to discuss the future operational management of Audley Sports Centre, Daisyfield Pools and Shadsworth Leisure Centre. Following consultation processes, the Council subsequently transferred the operational management of the three Council owned leisure facilities to third party operators.

In 2017, it was clear that the alternative management arrangements at Shadsworth Leisure Centre involving the Centurions Swimming Club were not able to be fully implemented with the club unable to pay the Council the agreed pool hire fee. As a result the operating costs for the swimming pool remained significant and unaffordable within the cash limited budget for the Leisure and Culture portfolio. The Council made the decision to close the pool at Shadsworth Leisure Centre effective 1<sup>st</sup> February 2018.

Dry-side operating costs at Shadsworth Leisure Centre in 2018/19 have remained higher than predicted primarily due to a continued decline in revenue income; due to a drop in block bookings and casual use and reduced time allocation and therefore payments from the Dance School.

The income targets for the three main leisure centres has increased from £2.355m in 2015/16 to, £2.957m in 18/19 and whilst the three leisure centres are on track to achieve this targeted level of income, there is little scope to generate the additional income required to offset the budget pressure from Shadsworth Leisure Centre, for which there is no budget.

A further consultation meeting took place on 22<sup>nd</sup> August 2018 followed by an expression of interest (EoI) process between September and November 2018. Only one organisation expressed an interest in operating Shadsworth Leisure Centre at nil cost to the Council. However, during the evaluation of the EoI submission, significant concerns were raised by Finance colleagues, primarily around the expected level of income generated in the first two years which was deemed to be over ambitious and

as such the business plan was considered unsustainable.

Asset transferring a Council building on this basis would be considered unsustainable and high risk and, given the continuing financial pressures and budget cuts from Central Government, there is no 'fall-back' Council funding to assist.

## **2. RECOMMENDATIONS**

That the Executive Member:

- Notes the report and the Leisure Review consultation processes outlined within the report.
- Notes the outcome of the Expression of Interest process
- Approves the closure of Shadsworth Leisure Centre from 1 January 2019 and the reallocation of block bookings and casual use to other council or community facilities across the Borough where possible.

## **3. BACKGROUND**

### **2012 - 2016**

The Leisure, Culture and Young People's portfolio undertook a Leisure review with support from Sport England in 2012/13. The review resulted in the Council approving the building of Witton Park Arena at a cost of £2.6m which opened in March 2014 and Blackburn Leisure Centre which was built in partnership with Blackburn College at a cost of £13.5m and opened in April 2015 and replaced the ageing and dilapidated facilities at Waves Water Fun Centre.

These two leisure facilities coupled with Darwen Leisure Centre, which opened in 2010, are extremely popular and provide modern state of the art facilities for residents across the Borough. These three leisure facilities are responsible for generating the vast majority of the income and attendances across leisure services.

As part of the Council's efficiency savings, the portfolio had to consider the future operation of its other leisure facilities which were ageing, expensive to operate and unaffordable in the face of continuing and severe cuts in funding from central government.

In 2015 and 2016, public consultation meetings were organised to discuss the future management arrangements for Shadsworth Leisure Centre, Daisyfield Pools and Audley Sports Centre. The following information provides details related to Shadsworth Leisure Centre:-

### **Initial Public Consultation – October 2015**

On 20 October 2015 a public consultation meeting was held at Shadsworth Leisure Centre to discuss the future management arrangements for the Centre. In addition to the public meetings, adverts were placed locally and requested that organisations which were interested in managing and operating Shadsworth Leisure Centre should contact the Council to declare their interest.

The Council also organised customer and stakeholder surveys to be available at the site and provided a PC on site to enable people to complete the survey on line, along with paper copies for customers who didn't wish to complete the survey on line.

Blackburn Centurions Swimming Club was the only organisation to declare an interest in the Centre and their interest related solely to the swimming pool. Following negotiations with the club, the Council agreed to transfer the operation of the swimming pool to the club with effect from Monday 4<sup>th</sup> April 2016. However the Council continued to operate the dry side facilities as no other organisations had declared any interest in doing so.

Unfortunately, and despite best endeavours, the arrangements with the Centurions didn't work as

effectively as we had hoped. The Council had to provide lifeguard cover for some swim sessions at considerable cost because the club had been unable to lifeguard all the swim sessions. The swimming club membership did not expand as much as anticipated; consequently, the club was unable to pay the agreed pool hire fees.

As a result, the costs associated with operating Shadsworth Leisure Centre were forecasted to be £136,000 in 2017/18 and were not affordable within the cash limited budget for the Leisure, Culture and Young People's portfolio.

### **Further Public Consultation – December 2017**

The Council entered into a further consultation process with regards to the future operation of Shadsworth Leisure Centre in 2017. The consultation process included hosting an open public meeting on Tuesday 5<sup>th</sup> December 2017 and making available a customer questionnaire from 27<sup>th</sup> November 2017 to 24<sup>th</sup> December 2017 to enable users and non-users to provide feedback and make suggestions about the future operation of the swimming pool.

The results of the consultation were reported to the Executive Board meeting in January 2018 along with recommendations about the future operation of the swimming pool at Shadsworth Leisure Centre. Accordingly, Executive Board agreed to close the swimming pool with effect from 1 February 2018 and the main user of the pool, the Centurions swimming club, were relocated to Daisyfield Pools and Darwen Leisure Centre.

### **Current Position**

The Council has continued to operate the dry side facilities since the closure of the swimming pool. A small number of casual staff and one contracted member of staff are currently employed to supervise the use of the dry side facilities including the sports hall, fitness gym, squash court, school gym and dance studio. Despite lower staffing costs significant building expenditure remains including repairs and maintenance and utilities. In addition the cost of rates has remained unchanged at £27,000 pa.

Since the pool closed, the usage of the sports hall, squash courts and gym has declined significantly in recent months. Weekly income from casual use is circa £150 and with income from block bookings; the total annual income is projected to be £19,000

Despite the closure of the pool and its reduced operating costs Shadsworth Leisure Centre in 2018/19 continues to create a budget pressure of £122,300 which cannot be managed by the portfolio.

Based on 6 month actuals projected 2018/19 income / expenditure is shown below

<b>SHADSWORTH LEISURE CENTRE</b>	
<b>EXPENDITURE</b>	
Premises related	66,100
Salaries	73,300
Supplies and services	1,900
<b>Total costs</b>	<b>141,300</b>
<b>INCOME</b>	
Income from dry side facilities	<b>(19,000)</b>
<b>NET OPERATING COST 2018/19</b>	<b>122,300</b>

In August 2018 a further public consultation commenced, specifically focussing on identifying local organisations with an interest in operating Shadsworth Leisure Centre at nil cost to the Council. A public meeting took place on 22<sup>nd</sup> August and was attended by 4 people. On 3<sup>rd</sup> September an Expression of Interest (EoI) process commenced. Only one organisation submitted an EoI.

A robust assessment process including financial analysis was undertaken and evidenced a business plan that was over optimistic and would not provide the Council with an assured, viable or sustainable asset transfer arrangement.

#### 4. KEY ISSUES & RISKS

Shadsworth Leisure Centre is creating a projected budget pressure of £122,300 in 2018/19 which is unaffordable and cannot be managed by the portfolio.

The Council embarked on a consultation process on 22<sup>nd</sup> August with a public meeting to assist the identification of any organisations or groups who wished to consider operating the leisure centre at no cost to the Council.

On 3<sup>rd</sup> September 2018 the full Information Pack and Expression of Interest documents were sent to the only organisation who requested them. The deadline for the completed submission was set as 5pm 14<sup>th</sup> September.

It was noted that the completed expression of interest was not received by 5pm on Friday 14<sup>th</sup> September; however given that it was the only expression of interest received it was decided to continue the evaluation process without prejudice.

Following an initial review of the submission a meeting was held on 9<sup>th</sup> October, 2018 to raise initial concerns regarding the business plan, specifically the income projections. Revised figures were subsequently submitted and this was used to undertake a due diligence exercise. Whilst the submitted documents clearly demonstrated an interest and vision, scrutiny of the financial planning projections raised significant concerns and an assessment that the expression of interest did not establish a model for a sustainable asset transfer.

The main area of concern focussed on the financial information and over optimistic income projections which when assessed by a Senior Finance Officer identified a gap in projected income versus forecast income 18/19 (based on 6 month actuals) of circa £90,000

If the process went ahead and the proposed business plan failed then it would expose the council to risk as the building would come back into the Council along with potentially unpaid bills and accrued debt.

Given the information provide in this report the following **options** should be considered:-

- Do nothing – the council continues to operate Shadsworth Leisure Centre accepting that there will continue to an operating budget pressure of £122,300 that cannot be managed within the Portfolio's allocated cash limit
- Extend the consultation process – widen the scope in an attempt to attract additional interest from unknown organisations to operate the leisure centre at nil cost to the Council. During the timescale needed to conduct further consultation, tender and evaluation processes levels of expenditure and low income generation will continue thus perpetuating ongoing budget pressures which cannot be managed within the Portfolio's allocated cash limit.
- Close Shadsworth Leisure Centre – relocating block bookings and casual use to alternative council owned or community facilities within the Borough wherever practicable. Closing the centre would remove the portfolio's budget pressure associated with Shadsworth Leisure Centre.

#### 5. POLICY IMPLICATIONS

The Sport England facilities planning model which was completed in 2012 demonstrated that the

Borough had an over-provision of swimming pool facilities. With the closure of the pool at Shadsworth there is currently still sufficient swimming pool facilities for the residents of the Borough as highlighted by Sport England in the facilities planning model for pool provision (2 swimming pools in Blackburn and 1 pool in Darwen).

With community access to sports halls at Council operated BSF schools and those available at Darwen Leisure Centre and Blackburn Sports and Leisure Centre there is sufficient space to relocate the remaining block bookings and casual use hall use.

## 6. FINANCIAL IMPLICATIONS

Despite the closure of the pool and its reduced operating costs Shadsworth Leisure Centre in 2018/19 continues to create a budget pressure of £122,300 which cannot be managed by the portfolio.

Based on 6 month actuals projected 2018/19 income / expenditure is shown below

<b>SHADSWORTH LEISURE CENTRE</b>	
<b>EXPENDITURE</b>	
Premises related	66,100
Salaries	73,300
Supplies and services	1,900
<b>Total costs</b>	<b>141,300</b>
<b>INCOME</b>	
Income from dry side facilities	(19,000)
<b>Total income</b>	
<b>NET OPERATING COST 2018/19</b>	<b>122,300</b>

If the centre were to be transferred to an alternative organisation, it would need to transfer on the basis that the operator would not require any revenue or capital support from the Council. To achieve this the Council would need to be confident that the transfer proposal is financially viable and sustainable.

If the centre was to close there would be some remaining costs associated with rates and utilities but these would be reduced greatly.

## 7. LEGAL IMPLICATIONS

Whilst the council has no statutory duty to provide leisure centres, it does have a duty to address health inequalities, and therefore wishes to continue to offer high quality leisure centres which are affordable and accessible to those who will benefit most from regular participation in sport and healthy physical activity.

At all stages through the Leisure Review process commencing in 2015 the Council embarked on consultation processes with regards to the future management and operation of leisure provision at Daisyfield Pools, Shadsworth Leisure Centre and Audley Sports Centre. The consultation processes included hosting public meetings and making available a customer and stakeholder questionnaire to enable customers and stakeholders to provide feedback and make suggestions about the future

operation of the three sites.

Following further consultation in November and December 2017, including a public meeting and 3 stakeholder meetings with the swimming club the Council decided to close the pool from 1<sup>st</sup> February 2018.

As the previous consultation processes were undertaken in 2015, 2016 and 2017 the Council wished to enter into a further consultation process with regards to the future operation of Shadsworth Leisure Centre starting in August 2018.

The consultation process included a public meeting, advertised in the centre itself and on the Council's website which was held on 22<sup>nd</sup> August to identify interested local organisations. This progressed to an Expression of Interest and assessment process, informed and advised by colleagues in Procurement and Contracts and supported by Finance.

## 8. RESOURCE IMPLICATIONS

If there are no changes to the operation of Shadsworth Leisure Centre, the Council will have to allocate an additional £122,300 to subsidise the operation of the centre.

If the centre were to be transferred to an alternative organisation, it would need to transfer on the basis that the operator would not require any revenue or capital support from the Council. To achieve this the Council would need to be confident that the transfer proposal is financial viable and sustainable.

If the centre was to close there would be some costs associated with rates and utilities but these would be reduced greatly.

There is only 1 member of staff currently employed at Shadsworth Leisure Centre and they can be redeployed to an identified vacant post within the portfolio so there would be no redundancies as a result of the closure.

## 9. EQUALITY AND HEALTH IMPLICATIONS

**Please select one of the options below. Where appropriate please include the hyperlink to the EIA.**

Option 1  Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2  In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3  In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

## 10. CONSULTATIONS

A full public consultation was carried out as part of the Leisure Review process in 2015 and 2016. This included public meetings for each of the three centres including Shadsworth Leisure Centre, survey questionnaires for customers, stakeholders and the general public and local adverts.

A further public consultation process was carried out to determine the future operation of the swimming pool at Shadsworth Leisure Centre. The consultation process included a public meeting on Tuesday 5<sup>th</sup> December 2017 and making available a customer questionnaire from 27<sup>th</sup> November

2017 to 24th December 2017 to enable users and non-users to provide feedback and make suggestions about the future operation of the swimming pool. No organisations were identified who wished to consider operating the swimming pool at no cost to the Council.

The most recent consultation commenced on 15<sup>th</sup> August 2018 and finished with the Expression of Interest deadline on 14<sup>th</sup> September 2018. Posters were put up in the building and a notice was posted on the Council's website regarding potential changes to Shadsworth Leisure Centre. A public meeting was advertised via posters and the Council's website and held on 22<sup>nd</sup> August 2018 inviting organisations who may have an interest in operating the dry side of Shadsworth Leisure Centre at no cost to the Council. Four people attended. The meeting clearly laid out the Council's and the Portfolio's financial challenges and the information provided to attendees was explicit that the Council could not afford to continue to operate the leisure centre and may need to consider closure. Questions asked at the public meeting were:-

Q: What if there are no expressions of interest to run the centre when would it close?

A: Expressions of Interest would be known by mid-September followed by an evaluation period which would mean it's unlikely any changes would happen this calendar year

Q: What will happen to block bookings?

A: We will work with users to relocate them to alternative sites, but can't guarantee same day / time of bookings.

Q: What was the plan for the school site?

A: That is a Secretary of State decision not a Council one

Q: Will the closure of the school impact?

A: There are shared utility services between the 2 buildings which does make it difficult. Separate supply and meterage would need to be explored.

Q: What about the rates – will the Council pay them?

A: No. Some organisations may be eligible for rate relief

Following the meeting only one organisation came forward expressing an interest in operating the building; requested the EoI Information Pack and response template and entered into an initial Expression of Interest process. This submission and evaluation period was undertaken between 3<sup>rd</sup> September and 14<sup>th</sup> November. A decision not to proceed with an asset transfer process was communicated to the only interested party in a letter dated 16<sup>th</sup> November, 2018.

**Block Bookings Consultation** - Individual consultation took place with the 9 block booking hirers who used the centre at the start of the consultation period. Discussions included options regarding alternative provision available. Since the consultation process 3 of the block bookings have moved to alternative Council operated facilities. There are 6 remaining block bookings at the centre throughout the week; details of these bookings are listed below:

Karate	Monday, Wednesday, Friday Evening
Majorettes	Tuesday Evening
5 a side	Wednesday Evening
5 a side	Friday Evening
Volley Ball	Tuesday Evening, Saturday & Sunday
Dance School	Tuesday, Wednesday and Friday Evenings and Saturday

The Council is able to accommodate the Majorettes, Karate and five a side bookings in leisure centres throughout the Borough. The Volleyball booking is more problematic and we are still reviewing options in Council owned sites operated by third party organisations.

A Dance School occupies the first floor of the centre on Tuesday, Wednesday, Friday and Saturday. The dance school has confirmed that they have secured space at another venue and will be relocating from Shadsworth if the leisure centre was to close in the future.

**Casual Attendances** – the average casual attendances at the centre for April through October are detailed below:

Regency Gym	An average of 14 customers a night
Squash	An average of 6 customers a night
Badminton	An average of 4 customers a night

A total of 274 individual customers have used the centre over the last 7 months, including the block bookings.

**Staff Consultation** - The only contracted member of staff has been consulted with as part of this process and has accepted an alternative post (currently on secondment) which is a permanent and acceptable redeployment opportunity for them.

**11. STATEMENT OF COMPLIANCE**

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

**12. DECLARATION OF INTEREST**

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded and published if applicable.

<b>VERSION:</b>	<b>3</b>
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<b>CONTACT OFFICER:</b>	<b>Claire Ramwell</b>
<b>DATE:</b>	30.11.18
<b>BACKGROUND PAPER:</b>	Sport England's Facilities Planning Model for Pool Provision