

EAST HERTS COUNCIL

COMMUNITY SCRUTINY COMMITTEE – 17 NOVEMBER 2015

REPORT BY HEAD OF ENVIRONMENTAL SERVICES

EAST HERTS LEISURE STRATEGY

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- This report is concerned with the development of a proposed Leisure Strategy. It recommends that the committee establishes a Task and Finish Group to assist officers in the development of the Leisure Strategy. A suggested draft terms of reference is outlined in Essential Reference Paper A.
- This report outlines a number of risks and identifies a series of key issues which need to be taken into account in planning for the future of leisure provision in East Herts.

**RECOMMENDATIONS FOR COMMUNITY SCRUTINY COMMITTEE**

**That:**

<b>(A)</b>	<b>A Task and Finish group be established to advise Officers in the development of a leisure strategy which will determine the future of leisure facility provision and services over the next 10 years.</b>
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1.0 Background

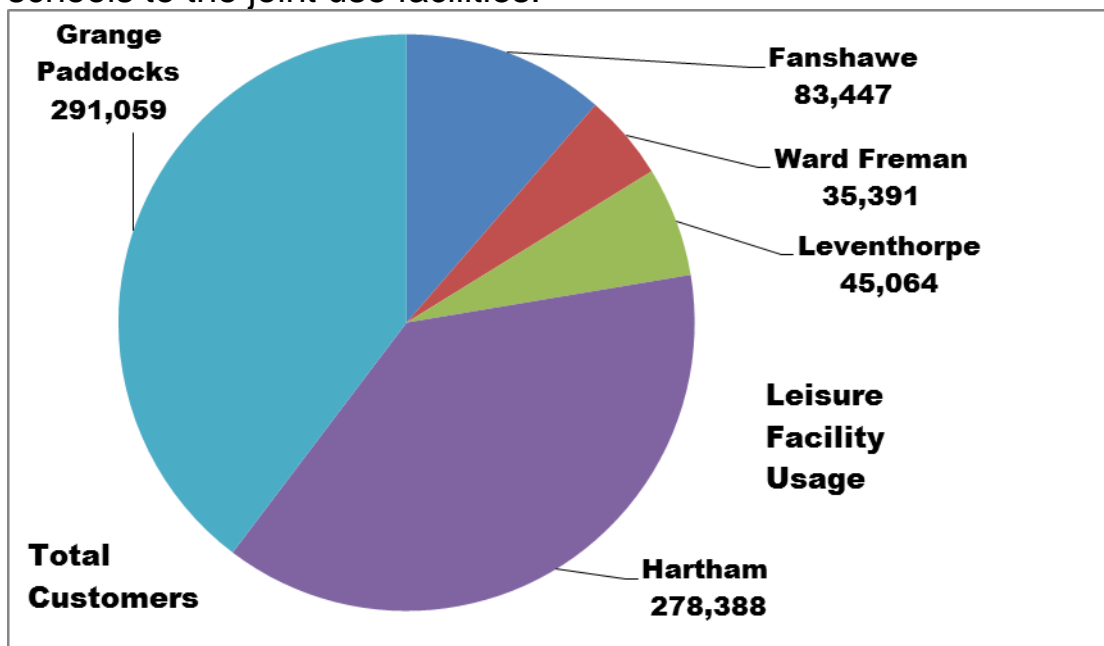
1.1 The Environmental and Leisure Services Plan for 2015/16 contains an action requested by the Executive to 'Develop a Strategy for the Council's Leisure Services'. This is needed in order to:

- a) address the public health issues identified in the Health and Wellbeing Strategy through leisure and recreation;
- b) develop a direction of travel and longer term strategic plan for the management and operation of indoor and outdoor recreation facilities;

- c) improve the long term financial sustainability of the service in the context of increasing financial pressures on local government; and
- d) optimise the opportunities to work with local communities and partners involved in sport, recreation and health.

1.2 The Council provides 5 leisure centres, one in each of the main towns. These are operated under a fully outsourced contract. The contact was let in January 2008 for a period of 10 years to Sports and Leisure Management Ltd (SLM) trading as 'Everyone Active'. The financial turnover of the contract is £4.1 million. The Council retains responsibility for the replacement of major plant and significant building works. SLM is responsible for all aspects of the day to day running of the facilities including promotion of services and customer contact. All income is retained by the contractor, which is equally responsible for all running costs. The Council pays a management fee of circa £230,000 per annum. This varies from year to year and represents the Council's subsidy to bring the contract into a breakeven position. Three of the five facilities are provided in partnership with local schools through joint use arrangements. The leisure centres attracted 733,350 customer visits in 2014/15 as shown in the chart below.

1.3 The overall net cost of leisure services to the council is £849,200 including all service costs, football provision and contributions from schools to the joint use facilities.



## 2.0 Report

### 2.1 Strengths, Weakness, Opportunities and Threats (SWOT)

The situation analysis is outlined below and identifies where Leisure Services in East Herts stands on four key strategic areas. Its purpose is to better inform decision making.

#### SWOT ANALYSIS

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"><li>• Leisure Management Contract Payments Declining</li><li>• Overall Customer satisfaction good</li><li>• Good data about customers (Mosaic)</li><li>• Maintaining participation (bucking national trend)</li><li>• Excellent' independent assessment scores at Grange Paddocks and Hartham</li><li>• British Standard ISO 14001 and 18001 attained.</li><li>• 45% of income from Leisure Memberships</li></ul>	<ul style="list-style-type: none"><li>• Facilities built in 1970's – ageing</li><li>• Short term planning history</li><li>• Changing leisure trends</li><li>• Energy Management</li><li>• Health and Wellbeing Strategy and Leisure Contract not aligned</li><li>• Little information about Non-users</li><li>• Long term financing of joint use sites.</li><li>• Car parking at 'peak' times</li><li>• Limited facility mix</li><li>• Specific customer concerns e.g. changing rooms</li></ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"><li>• Population growth (Particularly Bishops Stortford)</li><li>• Partnership Arrangements</li><li>• Energy management investments</li><li>• Development of the facility mix to increase participation.</li><li>• Development of health improvement interventions.</li><li>• Combined indoor/outdoor health promotions.</li><li>• Income generation to make self-financing contract.</li></ul>	<ul style="list-style-type: none"><li>• Grange Paddocks LC demand pressures from increased population</li><li>• Changes to safeguarding regulations and best practice.</li><li>• All facilities due for major refit in medium term.</li><li>• Potential loss of members as facilities dilapidate</li><li>• Competition from rival providers</li><li>• School funding risk</li><li>• Pressure on public expenditure</li></ul>

#### Risks

2.2 The above analysis enables a number of key risks to be identified. These are considered to be as follows:

2.3 Most of the facilities were constructed in the 1970's. There is currently no long term plan for their strategic management, development or replacement. The Leisure Strategy would address

this issue through the work of the Task and Finish Group. However the group would need to consider carefully the quantity, quality and business case for the present mix of facilities compared with other options.

- 2.4 Leisure trends have changed significantly since facilities were built 40 years ago. There are a range of opportunities to develop services which meet current demand. However, if the opportunities are not grasped there is a risk of managing a widening gap created through evolving participation trends and facilities which have limited capacity to meet additional demand.
- 2.5 Increasing car ownership has changed the catchment population for facilities since the 1970's. This has the impact of increasing the potential catchment population for attractive facilities but it also means that people will exercise consumer choice in some instances by-pass older facilities. There is also a consequential impact on car parking provision.
- 2.6 A key risk for the Council lies in the loss of people paying a direct debit for membership of the facilities. 45% of income is now derived from this source and is primarily associated with gym usage. Membership income is significant because it is more reliable than that associated with casual use which is variable and primarily associated with swimming. However, this means that the facilities compete directly with private sector operations. If the standard of facilities declines, members can migrate swiftly to alternative facilities with a consequential impact on the business model. Increasing costs and declining income could pose a serious threat to the Council and its ability to let a financially sustainable contract.
- 2.7 It is important that long term objectives are determined well in advance of a new leisure management contract being let. Inserting new clauses into a contract once it has been let is expensive because the Council will be in a poor negotiating position. To mitigate this risk the Council needs to have considered carefully what it wishes to achieve and how this might be developed through a new contract and in the context of a facility review.
- 2.8 There are a range of management models available to local authorities for the operation of leisure facilities and the council has a duty to consider alternatives. If the Council chooses to develop an alternative management model then the failure of that model to sustain a successful business can become a major risk in terms of

financial loss and reputational damage. The Council will therefore need to evaluate options carefully.

- 2.7 From a health perspective those people who take no exercise are of greatest concern. The Health and Wellbeing Strategy identified that:
- 41% of adults in East Herts are physically inactive.
  - 11.3% of children in their first years at secondary school are obese.
  - 21.4% of adults are obese
- 2.8 If the council develops health/leisure initiatives without good data and information it is unlikely to be able to make the best use of resources or target these in the most effective ways.
- 2.9 Leisure Centres and swimming pools are particularly heavy consumers of power in the form of gas and electricity. The East Herts facilities use 6.6 Million Kilowatt Hours (Kwh) of gas and 1.4 Million Kwh of electricity at a total cost of £337,500 in 2013. This is paid by the contractor but is a key element in the contract management fee paid by the Council. The above energy costs represent a high level of expenditure and are significantly higher than comparable modern facilities.
- 2.10 There are a range of interventions which have been employed to reduce the carbon footprint of leisure sites however there is a significant gap in terms of current and optimal performance. Interventions such as Combined Heat and Power (CHP), Solar Panels and Ground Source Heating together with improvements to buildings and the mechanical and electrical equipment could generate significant savings however this requires a long term commitment and a shared approach to investment and risk.
- 2.11 The Council has commissioned energy management consultants to advice on possible interventions. The information from the consultants will feed into the deliberations of the Task and Finish Group.
- 3.0 Key Issues
- 3.1 The overriding issue for the facilities is one of age. All were constructed in the 1970's with the exception of Hartham which started as an outdoor pool 10 years earlier. The effect of 'no change' will be that costs increase incrementally over time accompanied by occasional sharp rises as the facilities become

more exposed to competitive pressures, utility costs, plant failure and maintenance costs.

- 3.2 There are some significant problems particularly in relation to Grange Paddocks. The swimming pool was constructed as a community facility when the population of Bishops Stortford was approaching 20,000. In a few years the catchment population will be in the order of 60,000. This does not include significant developments planned in the Stansted Mountfitchet area which are likely to increase demand for swimming at Grange Paddocks Leisure Centre owing to proximity, drive times and lack of swimming facilities in that town.
- 3.3 Although the overall customer satisfaction at Grange Paddocks is good a more detailed analysis shows that a range of users are less satisfied with changing accommodation. The changing rooms form part of the original building and have been refurbished but struggle to meet demand particularly at peak times owing to its size layout and design in the context of school, club and gym usage.
- 3.4 The growth of competitive swimming since the 1970's is an example of gap between current provision and leisure demand. For most public pools, swimming club usage is a major income generator however at Grange Paddocks it is marginal. This occurs because the swimming club has outgrown the existing facilities and now uses a range of pools for training and competitions.
- 3.5 A strength of East Herts is the availability of swimming facilities. Maintaining 5 pools has been a significant achievement which few other authorities of the same size can equal. However the pools are traditional in their design. Parents and children are more attracted to facilities which are a visitor destination in themselves where swimming is learned not just through lessons but also through play activity.
- 3.6 Grange Paddocks Leisure Centre is built on a flood plain and as a consequence, significant changes to the leisure facilities are problematic in terms of environmental and planning constraints. Hartham Leisure Centre has similar constraints but does not have the same growth in catchment population. These two facilities account for 80% of customers.
- 3.7 The mix of facilities provided by the authority does not make the best use of fixed costs. Most authorities manage sports halls, all weather areas and a mix of other facilities alongside swimming

pools because the fixed costs associated with pool operations can also be used to run additional services and these facilities appeal to a broader section of the local community. For example a single receptionist can process badminton bookings as well as swimming booking particularly as gym access is highly automated.

- 3.8 The age of the facilities is becoming more challenging. For example the Council is currently replacing the Air handling Unit at Hartham Leisure Centre this will cost in the order of £130,000 and will require a closure of the pool for 1 month. As the facilities age there is an increased probability of closure to accommodate the replacement of plant or structural repairs.
- 3.9 The water quality at Grange Paddocks and Hartham swimming pools while acceptable in terms of customer safety is not optimal by current design standards. Water clarity is lower than in modern designs and chemical smells are more prevalent. This occurs because the design of the pool tank is dated and the latest plant equipment cannot perform optimally owing to the basic design of the pool tanks. The pools do not incorporate the latest technology in terms of disinfection systems.
- 3.10 The pool halls at Hartham and Fanshawe are in need of refurbishment and improvements to insulation would assist with running costs.
- 3.11 There are a number of partnership opportunities which should be explored in order to determine whether there is potential to develop long term management and funding arrangements to support initiatives aimed at improving health and increasing participation.

#### Task and Finish Group

- 3.12 It is suggested that the route forward is as follows:
  - a) The Task and Finish Group meets monthly from January to June to consider key aspects including direction of travel, key challenges and the options available to address these.
  - b) A progress report or draft Leisure Strategy is presented to the Community Scrutiny Committee in June 2016 subject to the views of the Task and Finish Group.

- c) A report is subsequently submitted to the Executive based on the draft Leisure Strategy.

#### 4.0 Implications/Consultations

There are no specific consultations in relation to this report. The service is currently conducting a Non User Survey and an Exit Survey has recently been undertaken to establish the views of customers. This information will be considered by the Task and Finish Group.

#### Background Papers

None

Contact Member: Eric Buckmaster – Executive Member for Health and Wellbeing  
[Eric.buckmaster@eastherts.gov.uk](mailto:Eric.buckmaster@eastherts.gov.uk)

Contact Officer: Cliff Cardoza – Head of Environmental Services and Leisure.

Contact Tel No  
[cliff.cardoza@eastherts.gov.uk](mailto:cliff.cardoza@eastherts.gov.uk)

Report Author: Joe Liggett – Leisure Services Development Manager  
[joseph.liggett@eastherts.gov.uk](mailto:joseph.liggett@eastherts.gov.uk)