

Cabinet

Date of Meeting: 06 November 2018

Report Title: Everybody Sport & Recreation Performance Report 2017/18 and Leisure Operating Agreement – Proposed Extension

Portfolio Holder: Cllr Liz Wardlaw – Health

Senior Officer: Frank Jordan – Executive Director of Place

1. Report Summary

- 1.1. This report provides Cabinet with the annual Performance Report from “Everybody Sport & Recreation” for the financial year 2017-18.
- 1.2. Everybody Leisure are now in their fifth year of trading as an independent trust and have delivered considerable efficiencies in service and exceeded performance indicators, whilst also delivering on the outcomes required in the current Leisure Operating Agreement.
- 1.3. The report also asks Cabinet to consider an extension of the current Leisure Operating Agreement with Everybody Sport & Recreation for the delivery of the Council’s leisure and sports development services.
- 1.4. This proposal is supported from a Council commissioning perspective for the reasons set out in this report, given the current success of the trust as set out in their Annual Report, and that being half way through the current contract term will give the Trust the confidence to invest further in the facilities and services being delivered. This will in turn bring future benefits to both the Council in terms of value for money and a reduced cost for the service; and to local residents in a higher quality of service provision.
- 1.5. The current Agreement is for a period of ten years from 1st May 2014 until the 30th April 2024, with the provision to extend the contract for a further five years to 30th April 2029 should the Council and the Trust agree to do so.

2. Recommendations

2.1. That Cabinet -

- 2.1.1. Note the progress made by the Trust in its fourth year of trading as an independent Charitable Trust and the performance achieved to date.
- 2.1.2. Approve the extension of the Leisure Operating Agreement with Everybody Sport and Recreation for a further five years subject to the terms being agreed with the Executive Director, Place in consultation with the Portfolio Holder, Health.
- 2.1.3. Delegate authority to Executive Director of Place in consultation with the Portfolio Holder, Health to finalise the details of the contract extension and agree to the final terms.

3. Reasons for Recommendations

- 3.1** The decision to create the Trust was based on the aim of giving it the freedom and flexibility to develop and expand the service in a more commercial manner, whilst reducing the overall cost to the Council. The Trust has consistently demonstrated success in all these key areas.
- 3.2** The extension of the Contract will provide the confidence for the Trust to continue to improve the Council's leisure facilities and services, for example through the leasing and renewal of new fitness equipment. The most recent example of this is the £4m being invested at Macclesfield Leisure Centre in partnership with the Council as part of the capital programme.
- 3.3** As a Charitable Trust all income generated by Everybody Leisure is reinvested back into improving the service provided. The Trust has in the first four years of the Contract made efficiencies over and above the 3% reduction to the management fee (which is a requirement of the Agreement) as identified in 6.2.4 of this report. In addition to the savings realised from becoming a Trust (VAT, rate relief and so on) the Trust has increased income levels and managed its costs so that it has been able to absorb the ongoing inflationary cost pressures faced by all businesses without requiring further financial support from the Council. It has been estimated that the total efficiencies from the service delivered by the Trust for the Council in its first four years have totalled over £7m.
- 3.4** Under the Performance Reporting Framework for the Council's Alternative delivery Vehicles (ASDVs), there is a requirement on Everybody Sport and Recreation to report back to the Cabinet with its Annual Performance Report.

4. Other Options Considered

- 4.1.** The Cabinet could choose not to extend the contract with the Trust at this time.

- 4.2. However, extending the contract now will provide clarity to the trust regarding the length of the contract which will enable them to make further investments in leisure facilities and services.
- 4.3. This would enable the cost of services to the council to be reduced. The terms for the extension will clarify the mechanism to how those savings will be captured by the Council.

5. Background

- 5.1 Following a full options appraisal of the best way to deliver leisure services in February 2014, Cabinet approved the transfer of the management of a range of leisure services to “Everybody Sport & Recreation”, a new Charitable Trust set up for that purpose. The new Trust was formally established in March 2014 with a Board of eleven members including two Cheshire East Council Elected Member representatives. The decision to create the Trust was based on the aim of giving it the freedoms and flexibility to develop and expand the service and its quality whilst adopting a more commercial approach with the aim of improving value for money and reducing the overall costs to the council.
- 5.2 The contract to manage the leisure facilities and leisure development services commenced on the 1 May 2014 and included the transfer of over 750 staff.
- 5.3 The Leisure Operating Agreement is for an initial ten years with the option to extend for a further five years subject to agreement between the Council and the Trust. After its first four years of operation the Trust has successfully delivered both the outcomes required by the Council and made efficiency savings whilst at the same time become increasingly commercial, winning further contracts with other public authorities and private organisations.
- 5.4 The Agreement contains a range of elements to ensure that the Trust provides the services required by the Council. These are set out in a Service Specification which helps form the basis by which the Council monitors that the Trust is delivering on the outcomes expected by the Council. The commissioning and monitoring of this service is undertaken by the Corporate Commissioning Manager – Leisure who receives quarterly reports on the Trust’s progress and performance against a range of contractual performance indicators.
- 5.5 The Performance Report outlines the successes that have been achieved by the Trust in its fourth year of trading and both the Chairman of the Trust and the Chief Executive Officer will attend the meeting to present the Report and answer any questions. Some headline successes on key performance indicators include:
 - 5.5.1 An annual attendance at leisure centres of 3,363,810 against the target of 3,107,357, an increase of 8%. This figure increases further to 3,474,264 and 13% when attendances at the new Holmes Chapel Community Centre are also taken into account.
 - 5.5.2 Everybody membership has risen from 14,872 at the start of the year to 17,938 by March 2018.

- 5.5.3 Once again there has also been an increase in the time dedicated to the crucial role of support to local sports clubs and events with over 7,000 volunteer hours being given against the target of 6742 hours.
- 5.5.4 Funded by the Department for Transport through to 2020 the “Bikeability” scheme saw 6020 young people were trained in cycling skills via school visits throughout the year against a target of 4889, an increase of 23%. In addition with the increased interest in cycling for health, new “adult learn to ride schemes” have recently commenced in Macclesfield and Crewe.
- 5.5.5 The Trust’s “Learn to Swim” Scheme now has over 8,000 learners receiving lessons, all enjoying free swimming at other times to encourage participation and progress. The numbers on the scheme continue to rise year on year.
- 5.6** Other new successes also reflected in the Performance Report include:
- 5.6.1 The first year of the One You Cheshire East public health contract to help inactive people and those with existing health issues saw over 5,000 referrals to physical activity, healthy eating and falls prevention classes. The Performance Report illustrates a number of case studies demonstrating the outcomes these classes are achieving for individuals.
- 5.6.2 Development of the Everybody Foundation as a separate charitable trust raising funds through a range of additional activities. The grants used have helped deliver healthy eating programmes in schools, individuals attending international sports trials and purchasing of new sports equipment for clubs.
- 5.6.3 The successful appointment to management the new Alderley Park Sports Hub when it is completed.
- 5.6.4 The winning of a range of regional and national leisure awards.
- 5.7** Whilst the Council has transferred the majority of the leisure centre sites to the Trust by way of a lease, the responsibility for the buildings remains with the Council. This includes the provision of repairs and maintenance, energy provision and capital improvements. During the last financial year a range of capital improvements have been made by the Council’s Facility Management Service including:
- 5.7.1 Macclesfield Leisure Centre – café refurbishment, skimmer repair for leaks to the swimming pools, ground floor toilet and changing facility refurbishment and replacement of external doors.
- 5.7.2 Sandbach Leisure Centre – support to the Everybody Leisure funded gym conversion and sports hall re-lamping.
- 5.7.3 Nantwich Pool – outdoor pool works and indoor pool hall roof works.
- 5.7.4 Wilmslow Leisure Centre – boiler replacement for swimming pools.
- 5.7.5 Knutsford Leisure Centre – replacement of fire alarm and swimming pool upgrades.
- 5.7.6 Poynton Leisure Centre – swimming pool corridor repairs.

- 5.8** These together with the forthcoming improvements at Congleton & Alsager Leisure Centres will help support the Trust in delivering a high quality service to the increasing numbers and type of users.
- 5.9** Having settled in as a new organisation and performed as set out in the Annual Report, the Trust are now looking to ensure that they can become increasingly commercial and improve the offer within facilities. The level of investment required to do this also requires a level of assurance for the Trust Board in terms of the length of the contract required to achieve this. For this reason the Trust have asked the Council to consider at this early stage to the extension of the agreement.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1 The presentation of an Annual Report to the Council is in line with the requirements of the Leisure Operating Agreement and allows the Council to be updated on the performance of the Trust.
- 6.1.2 Clause 3.2 of the current Leisure Operating Agreement allows for the extension of the initial ten year contract period to 30th April 2024 by a further five years to 30th April 2029 subject to agreement between the Council and the Trust as contractor. The Agreement which commenced on 1st May 2014 also includes a range of leisure centre leases that also run co-terminus with this full term.
- 6.1.3 When considering the extension the Council will still require to have due diligence and regard to the continued performance monitoring of the Trust in delivering services on behalf of the Council.

6.2. Finance Implications

- 6.2.1 The Trust receives an Operational Management Fee, currently £1.778m, for the delivery of service that is renegotiated annually with the Council. The fee funds a series of commissioned elements required by the Council as set out in 6.2.2 below.
- 6.2.2 Regular monitoring of the Trust has identified its services as representing good value for money, with improving overall quality of service, whilst reducing the cost of that provision in terms of the management fee. Analysis of the current management fee by the trust has identified that the element of subsidy to facilitate direct “operational management” is steadily reducing and is currently about £89,000, and is likely to be removed within the next twelve months. This will leave the remaining elements of the management fee consisting of commissioning service provision based on decisions made directly by the council. These include free use by the Council's currently “looked after” young people as part of the Council's corporate parenting role, free use by disability swimming clubs, support to joint use education sites, reduced charges for certain categories such as senior citizens, young people and those with a disability.
- 6.2.3 The Council continues to work with the Trust on the potential for further reduction in the Operational Management Fee in a variety of ways, including capital investment in facilities leading to improved usage and income levels. The

proposed contract extension will create greater certainty and stability and allow the Trust to maximise the commercial opportunities of longer term investment in the Council's facilities and services whilst at the same time continuing to reduce the management fee. It is currently estimated that 80% of the income growth since transfer has been achieved as a result of joint investments across a number of leisure centres, including Crewe lifestyle centre, Sandbach and Wilmslow Leisure Centres.

6.2.4 There is a 3% default reduction clause in the agreement should the Council and the Trust not agree on the Operational Management Fee for the following financial year, and appropriate due diligence continues to be carried out by the Council's Finance service as part of the annual fee negotiations. Based on the trust's budget audited figures, there has been a reduction in the total management fee (including support service element) since transfer in May 2014 of 31.8%. This is set against the trust also being required to absorb all its expenditure growth pressures.

6.2.5 It is important to understand that the Trust as a fully independent organisation is required by the Charities Commission to submit a full set of accounts. In addition the Trust is a company limited by guarantee, and under this status is additionally a "not for profit" organisation which means it has to reinvest any surpluses into services and facilities. The Trust's financial position is reported to the Council as part of the company's Annual Performance Report.

6.3. Policy Implications

6.3.1 The establishment of the Trust was in line with the Council's "best fit" approach to service delivery and the Trust is expected to be a significant contributor to the Council's Outcome Five, "People Live Well & For Longer" in support of improving the health of local residents as set out in the Council's Corporate Plan. The Trust's Performance Report presented today evidences this in more detail. It also supports the request for approval to the term of the existing Leisure Operating Agreement.

6.4. Equality Implications

6.4.1. The Trust as illustrated in the Annual report remains committed to ensuring that services are delivered and available to all residents in Cheshire East, including provision to those of all ages and those with disabilities.

6.5. Human Resources Implications

6.5.1 There are no specific implications in respect of the recommendation in the report as the Trust are independent from the Council.

6.6. Risk Management Implications

6.6.1 In addition to the requirement to deliver its Annual Performance Report to the Council, to ensure that the Trust are delivering the requirements of the Leisure Operating Contract, the Council monitors the performance of the Trust including, quarterly performance meetings and reports, the submission of performance indicators as part of the Council's Corporate Performance Management Framework and regular site visits.

6.6.2 If approval is received for the extension to the Leisure Operating Agreement appropriate due diligence will continue to be undertaken by commissioning, legal and finance services to monitor the Trust to ensure that it continues to deliver the outcomes required by the council.

6.7. Rural Communities Implications

6.7.1. The Trust remains committed to delivery across Cheshire East including within rural communities and this is demonstrated in the Annual Report.

6.8. Implications for Children & Young People

6.8.1. The Trust is required through the Leisure Operating Agreement to make a significant contribution to supporting the involvement of children and young people participating in sport and active recreation. This is again demonstrated throughout the Performance Report with highlights including:

6.8.2 Under 16's forming almost half of attendances supported by targeted programmes including "teen gym" and "bolt on" family memberships.

6.8.3 Almost 8,000 young people on the Learn to Swim Scheme.

6.8.4 The availability of apprenticeships through the Everybody Academy, with the offer of a leisure position at the end of the scheme, which currently has fourteen young people being trained.

6.8.5 6,020 young people trained in Bikeability during the year.

6.8.6 Carers and Family Holiday Activity programmes.

6.8.7 472 Cared for Children members attending 2094 gym, swim and class sessions during the year. The provision has a positive impact on these users and is also well reflected when the service is externally reviewed

6.9. Public Health Implications

6.9.1. The Trust is expected to be a significant contributor to the Council's "Outcome Five – People Live Well & For Longer" in support of improving the health of local residents as set out in the Council's Corporate Plan. The Performance Report addresses the Trust's progress on this area of work.

6.9.2. In August 2016 the Trust successfully tendered for the "One You Cheshire East" contract from public health commissioners. The contract valued at £2.5m over a five year period. The Performance Report identifies the progress being made in a range of programmes at facilities around Cheshire East including Active Lives, healthy eating, weight management & falls prevention.

7. Ward Members Affected

7.1 Everybody Sport and Recreation provides a service across the whole of the Borough of Cheshire East.

8. Consultation and Engagement

8.1 There are no implications as a result of the Report

9. Access to Information

9.1. Appendix 1 – Everybody Sport & Recreation – Performance Report 2017-18

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Mark Wheelton

Job Title: Corporate Commissioning Manager - Leisure

Email: mark.wheelton@cheshireeast.gov.uk