

OPEN



Environment and Communities Committee

11 March 2024

MTFS 90 Strategic Leisure Review - Final Proposal

Report of: Tom Shuttleworth, Interim Director of Environment and Neighbourhoods

Report Reference No: EC/26/23-24

Ward(s) Affected: ALL

Purpose of Report

1. To update Members on the progress of the implementation of the Cheshire East Strategic Leisure Review following the approval of the Council's Medium Term Financial Strategy 2023-27 (MTFS) at Full Council on 22nd February 2023 and following the previous report to the Committee in November 2023 which gave approval to undertake a consultation exercise.
2. To update the Committee as to how the Strategic Leisure Review proposal has been amended to reflect that feedback and results of a public consultation on the developed detail, undertaken during December 2023.
3. To update the Committee as to how the Strategic Leisure Review proposals have been further developed to reflect the revised budgetary position for commissioned leisure services as set out in the Council's Medium Term Financial Strategy 2024-28 (MTFS) at Full Council on 27th February 2024.
4. It seeks Committee approval to implement the series of proposals from the review, some from 1st April 2024 whilst having considered and taken due regard to the output of the consultation process.

Executive Summary

5. A report was presented to the 9th November 2023 meeting of the Committee, from which an amended recommendation was approved to

undertake a public consultation. This consultation was subsequently undertaken on a wider range of proposals and not focussed on any specific sites and their respective futures.

6. This report sets out a summary of the consultation responses, supported by a full report contained at Appendix A.
7. The report then sets out a series of proposals informed in part by the outcomes of the public consultation and required to deliver the savings as identified for 2024/25 as per those included in the MTFFS 2024-28.
8. The proposals brought forward have been developed in order to deliver the short term savings needed by the Council in order to balance its budget, whilst also giving due consideration to making the medium to long term delivery of leisure services in the borough more financially sustainable for all stakeholders.
9. A part 2 confidential report is also included due to commercial sensitivities related to the ongoing contractual relationship with Everybody Health and Leisure.

RECOMMENDATIONS

The Environment and Communities Committee is recommended to:

1. Note the progress made to date in implementing the Strategic Leisure Review included as a specific proposal within the Medium-Term Financial Strategy 2023-27 as approved at Council on 22 February 2023, including the feedback from the recent public consultation exercise.
2. Approve the final details of the proposals to meet the MTFFS budget savings target for 2024/25 onwards, as set out at paragraphs 39-51 of this report.
3. Delegate authority to the Interim Director Environment and Neighbourhoods to take all necessary steps to implement the proposals including but not limited to;
 - a. Make the necessary changes to the operating agreement with Everybody Health and Leisure to secure additional income or cost reductions to the Council subsidies paid;
 - b. Enter into a modification of the existing leisure operating agreement, subject to the constraints set out in the associated Part 2 report;

- c. Take forward to completion asset disposals at the Holmes Chapel and Middlewich joint use sites, to allow alternative local delivery models to establish;
 - d. Implement pricing increases to the joint / access facilities access agreements for joint use school sites and;
 - e. Enter into “top up” funding agreements with Town and Parish Councils relating to the safeguarding of leisure provision for their local area.
4. Note the requirement for a further update to be brought to Committee in mid-2024/25 to set out the progress in delivering the required MTFS saving and to set out further proposals in order to deliver a balanced budget.

Background

10. A report was presented to the 9 November 2023 meeting of the Committee, from which an amended recommendation was approved to undertake a public consultation. This consultation was to be undertaken on a wider range of proposals and not focussed on any specific sites and their respective futures.

Medium Term Financial Strategy 2024-28

11. Since the initial outcomes of the review were reported to Committee in November 2023 the council has undertaken its budget setting process for the four-year period 2024-28. As part of this process the need to achieve a greater level of savings against commissioned leisure activities. This is a direct reflection on the significant budget challenges faced by the Council and the need to look across all services in order to set a balanced budget.
12. Following the usual public consultation process Full Council agreed to adopt the increased savings target for 2024/25 of £1.3M on 27th February 2024.
13. The proposals put forward within this paper have been developed with this in mind.

Council subsidies to Public Leisure provision in Cheshire East

14. The council's investment in leisure services for 23/24 is £5,594,533, this is split between the Management Fee paid to EHL of £1,366,000 and £4,228,533 in corporate landlord costs.

15. For absolute clarity it should be noted that no permanent income streams are received by the Council as a result of providing publicly funded leisure services. This is in the context of the council having to cover the increasing corporate landlord costs for the estate.
16. It should be further recognised that Everybody Health and Leisure are managing their own challenging position around inflationary cost pressures.

Subsidised Public Leisure Provision

17. In response to several queries raised at the meeting on 9th November and subsequently by Members of the Committee which related to the commerciality of the leisure estate. Due to the commercial sensitivity of this more detailed information this can be seen at Appendix A of the Part 2 report. The costs shown are forecast for 2023/24, informed by actuals to date and are summarised in the following paragraphs.
18. The total cost of operating the Leisure estate is forecast to be £19,505,567 and the income generated by Everybody Health and Leisure is forecast as £15,437,235. This gives a net position of costs exceeding income by £4,068,332.
19. This value is broadly comparable with the subsidy that the Council funds relating to its role as corporate landlord, which for the same period are forecast to be £4,119,731.
20. A similar high-level exercise has been undertaken for each site to provide an understanding of which sites are more financially self sustaining, hence pro rata which sites see a greater level of subsidy from Cheshire East Council.
21. What this demonstrates is that for the leisure estate to be cost neutral then income, principally pricing of leisure activities and memberships, would need to increase by circa 26%. This would place the pricing levels more in line with a private operator and assumes that with this price increase in place the current membership and user base is unaffected, which is considered highly unlikely.
22. The impacts of charging It should also be considered that due to the nature of the infrastructure and the service offer at some sites in particular those of a smaller scale.

Facilities / Joint Use Access Agreements

23. There are currently agreements in place between the Council and the schools located at six of the seven joint use sites, with Middlewich being the exception as this site is already owned by the school and leased

back. These agreements have been in place since the inception of the joint use arrangements some stretching back to when the facilities were built in the 1970's.

24. Under these agreements the schools pay for their use of the leisure centre facilities broadly based on a discounted room hire charge. This occupation by the schools of these spaces during the academic year inevitably limits the ability of these sites to generate income at the going rate.
25. As a result, it is therefore the case that as with all fees and charges applied by the Council there is a need to review these agreements on at least an annual basis. This is to ensure that the Council is correctly apportioning the costs of providing these sites for school use pro rate to the time that they are available for general public use.
26. Any additional income will be passed back to the Council in recognition of the increasing costs of providing the leisure estate.
27. It is recognised that in all cases specific areas of the leisure centres, particularly the sports halls and potentially outdoor playing pitches, are integral to the secondary schools being able to deliver their curriculum. As such they are considered business critical and it is important to note that under all scenarios access to the sites for the adjacent schools will be maintained i.e. the leisure centre asset would not otherwise be disposed of without retaining these access rights for the school.

Consultation and Engagement

28. The consultation ran for 6 weeks between 23rd November 2023 and 7th January 2024
29. The consultation was widely promoted through the following and invited anyone who wished to respond;
 - (a) Emails to All Members, Town and Parish Councils and the relevant Members of Parliament;
 - (b) Two all Member briefings held on Friday 15th and Monday 18th December 2023;
 - (c) Individual emails to all Town Councils requesting specific meetings to discuss the review implications for their specific site, together with follow up meetings;
 - (d) Attendance at a Cheshire Association of Local Councils (ChALC) briefing on Tuesday 12th December 2023;

(e) Engagement with the senior management teams at all 7 of the schools at the joint use leisure sites;

(f) Engagement with Everybody Health and Leisure throughout the consultation period in order to develop proposals to partially support the budget savings needing to be achieved;

(g) More generally press releases, social media and promotional materials displayed at the Council's library sites.

30. In total there were 3,728 consultation engagements including 2,769 survey responses, 522 social media engagements, 403 email/letter responses and 34 event attendees.

31. In summary the following key statistics can be seen;

- 79% of survey respondents used Everybody Health and Leisure (EHL) facilities, and of these 84% use a site at least once a week. Of survey respondents who use EHL sites, 37% use Poynton Leisure Centre and 36% use Knutsford Leisure Centre;
- 12% of survey respondents responded on behalf of a community or sports club who use EHL facilities. Of the clubs being responded for, 65% use sports hall facilities, 39% use swimming pools, while 27% used outdoor sports pitches.
- Around 60 community or sports clubs responded, providing usage data to feed into any required site assessment process;
- 8 Town and Parish Councils responded via email or letter;
- Around 34 Cheshire East ward councillors in attendance at the two briefings held;
- Out of a total of 403 email or letter responses a significant proportion of these related to opposition to site closures at Poynton and Middlewich, which was not a specific proposal set out in the consultation.

Options Membership Scheme

32. 7% of survey respondents had an "Everybody Options Scheme" membership.

33. The consultation feedback provided high levels of support for the proposals to:

- Only offer the scheme to residents of Cheshire East (80% support)
 - Reduce the maximum discount offered from 25% down to 20% (68% support)
 - Amend the eligibility criteria as set out in the consultation (49% support)
34. Support for reducing the maximum discount offered from 25% down to 15% was lower (44% support, 38% opposition)

Out of borough use

35. There was strong net support for the introduction of a different pricing policy for any users of its leisure services whose home address is outside the borough, with 73% in support of this proposal and 14% opposed to it. It was highlighted by those in support that other Councils already do this.

Alternative leisure service delivery options

36. From the seven presented overall the most preferred option was “implement a differential pricing policy for different grades of membership e.g. Gold / Silver / Bronze”, which had an average rank of 2.5 out of 7, where 1 is the most preferred option.
37. The second most preferred option was “increase prices across all activities and grades of membership”, with an average rank of 3.1 out of 7.
38. The third most preferred joint options were “transfer ownership of leisure sites to other third-party operators” and “reduce opening hours across all sites”, both with average ranks of 4.0 out of 7.
39. The least preferred options were “focus on providing leisure services in the areas of greatest health need, withdrawing funding from others”, with an average rank of 5.2 out of 7, and “focus on providing a smaller number of core larger leisure sites, withdrawing funding from others”, with an average rank of 5.6 out of 7.

Where to focus resources as a last resort

40. As a last resort where extra savings are needed, survey respondents were divided on whether the council should focus its Leisure Service resources “on the leisure centres where usage is highest”, with 43% agreeing and 42% disagreeing.

Engagement - Town Councils

41. During the consultation officers made direct contact with all Town Councils relating to the potential requirement for those organisations to provide funding towards the retention of their local leisure centre.
42. This was on a very similar basis to the “top up” initiative offered through the recent Libraries Service Review, with a fixed cost derived from a proportion of the Council’s forecast corporate landlord costs. This would be secured under a formal funding agreement.
43. Any funding offered would be on the basis that the related leisure facility would be safeguarded against closure for the duration of the funding agreement.
44. It is acknowledged that a number of Town Councils have in fact already taken this proposal through their own governance processes and officers continue to engage on this basis.

Engagement - Everybody Health and Leisure (EHL)

45. Throughout the course of the development of the Strategic Leisure Review since early 2023 officers have been engaging with the senior management team of EHL. This has been with the intention of developing proposals that would otherwise limit the impacts of the need to achieve savings from the commissioned leisure services.
46. It is acknowledged that EHL have provided at various stages of the review’s development data to inform its outcomes. This has been the case for this report.
47. This proactive engagement has continued throughout the consultation period and as a result a series of proposals can now be established for committee review and recommended approval to implement. These proposals have been developed in line with the feedback from the recent public consultation.
48. In advance of finalising the suite of proposals a series of workshops were held with the Councils leadership team and then on an informal basis with the committee to ensure clarity of what was on offer and the respective constraints associated.

Budget Proposals – Everybody Health and Leisure

49. Based on the feedback received through the consultation, negotiations with the incumbent operator the proposals contained below are

considered to offer a suitable opportunity to partially meet the required budget savings as established in the MTFS 2024-28;

- The provision of £460k of **one-off** financial support for 2024/25 taken from EHL reserves;
- The permanent retention of the swimming surcharge as part of core pricing – EHL have proposed to continue to apply a surcharge at 25p per swim, which could generate circa £160k full year effect;
- The reduction of the Options (concessionary) membership scheme discount from 25 to 20% to reflect the feedback received through the consultation - £60k. It should be noted that the recent consultation also presented a reduction to 15% discount which was broadly supported hence this further change will be actioned in 2025/26.

50. Therefore, total minimum reduction to annual management fee, subject to the last two points above, for 2024/25 - £680k.

51. In addition to the above – to directly support CEC;

- In the disposal of / exit from Holmes Chapel and Middlewich Leisure Centre sites respectively without incurring compensatory costs.
- In reviewing the current Joint / Facility Access Agreements with the schools at the remaining five joint use sites to ensure that CEC are not inadvertently subsidising the schools use of the leisure facilities, and;
- In any Council led discussions with Town Councils relating to them providing a financial contribution to the ongoing provision of a leisure centre in their area.

52. In return for the above EHL have requested an extension to the existing leisure operating agreement. This will allow EHL as a business to undertake longer term planning and investment of their own with the security of a longer-term tenure.

53. Please see the Part 2 report which sets out the required background and recommendations relating to modifying the current operating agreement.

Investment Plan

54. A Minor Works Investment Programme is proposed, which mirrors that included at Appendix C and as summarised below in Table 1 has a total capital cost of £3.55M. This programme has been developed on the basis of an “invest to save” only, hence generate a c.£108k revenue surplus once fully delivered.
55. This programme of investment has been targeted at those sites where the usage data collated demonstrates service demand is greatest and in consultation with EHL as operator there are known issues around medium-term capacity to continue to service demand.
56. All previous investments into the leisure estate are no longer under consideration and have been removed from the capital programme.

57. Site and Brief Description	Investment Value	Ave. borrowing cost (£pa)	Minimum income to CEC (£pa)
Crewe LC – repurpose existing underused space	£ 350k	£ 24.5k	£ 40k
Macclesfield LC – expand gym and fitness suite offer	£ 250k	£ 17.5k	£ 30k
Macclesfield LC – new fitness equipment 2024	£ 450k	£ 105k	£ 95k
Nantwich LC – extension to gym / convert old changing area to additional usable space	£ 1.2M	£ 84k	£ 100k
Sandbach LC – internal repurpose / upgrade to fitness equipment (2024)	£ 200k	£ 14k	£ 40k
Shavington LC – replace end of life with new 4G pitch	£ 250k	£ 17.5k	£ 30k
Shavington LC – internal repurpose / upgrade to fitness equipment (2024)	£ 100k	£ 7k	£ 10k

Wilmslow LC – Development of indoor/outdoor provision	£ 250k	£ 17.5k	£ 30k
Wilmslow LC – new changing facilities	£ 500k	£ 35k	£ 50k
TOTALS	£ 3.55M	£ 322k	£ 430k

Table 1: Summary of Minor Works Investment Programme financials (based on current % rate of borrowing)

Outstanding Saving Requirements 2024/25 onwards

58. Whilst it is positive that subject to the committee’s approval a significant £value of savings have already been generated it will be necessary to seek further support towards achieving the necessary target for 2024/25 and in future years.
59. The position in relation to savings identified and the required ‘gap’ is contained at paragraph 62.
60. To achieve this, it will be necessary to secure external funding from the likes of Town and Parish Councils and other stakeholders to safeguard local provisions over the medium term.
61. Should funding not be secured then there will be a need to consider a further site assessment process, informed by the usage data collated through the consultation process. The results of this process would be reported back to committee in mid-2024/25 with a further set of recommendations on how to proceed.

Reasons for Recommendations

62. The recommendations related to the final proposals from the review have been made on the basis of;
 - Supporting a sustainable financial future for the council, through service development, improvement, and transformation.
 - The need to focus current levels of investment into leisure services to achieve the greatest outcomes for public health.
 - Having given due consideration to how the service could be delivered differently outside of but complimentary to the Council’s current operating model.

- Ensuring that the service continues to be delivered in an efficient and effective way both geographically and also in the provision of well-equipped modern sites where service demands are greatest;
- To ensure that the provision of leisure services is secured for the medium to longer term with a robust ongoing review mechanism established to ensure continued affordability and;
- To ensure that the review process undertaken adequately considers all of the factors in making a decision, underpinned by a robust evidence base.

Other Options Considered

63. The following options appraisal outlines the other options considered in more detail:

Option	Impact	Risk
The Committee resolving to not approve the proposals	The Committee would need to identify alternative savings / income to deliver the required 2024/25 savings target of £1.3M, plus subsequent years savings	The Council cannot deliver a balanced budget.

Table 2: Summary of alternative options considered

Implications and Comments

Monitoring Officer/Legal

Property Implications

64. EHL occupies all of the sites under the terms of Lease a which is co-terminus with the operating contract and run until May 2029. If EHL no longer operate specific sites, then the leases will need to be terminated and the sites will revert to the Council.
65. All of the joint use sites are attached to Academies. This means that there are separate leases with each school which deal with shared use of areas of common usage which facilitated operation and use of the leisure centre sites. In some cases, this allows the Council access to areas of the school for the purpose of movement between parts of the leisure centre, maintenance of shared equipment (such as boilers) and shared use of car parking. If the leases are terminated the land will not automatically pass to the schools. Any agreement to pass the sites to

the adjacent schools will need to be negotiated with each individual school, alternatively the sites will close and remain vacant.

66. In order to facilitate use of the joint use leisure centre sites by the schools there are Joint Use/Facilities Access agreements in place on each site. If the leisure facilities are transferred to the school as is proposed for both Middlewich and Holmes Chapel then these agreements will terminate at the point that the transfer occurs.

Changes to Leisure Operating Agreement

67. Once a new operating model is approved, the contact will need to be amended and this will be implemented through the normal change control mechanism contained within the operating agreement in place with EHL.
68. Approvals required to advance specific elements of the Investment Plan, for instance letting of contracts, will need to be sought separately at the appropriate time.
69. Modifications to the current operating agreement required as a result of the proposed contract extension are considered in the Part 2 paper.

Education Implications

70. Physical education is a compulsory part of the National Curriculum for children at Key Stages 1 – 4 (Reception – Year 11). Additionally, children at Key Stages 1 and 2 (Primary School) must have swimming as part of their physical education. Consideration has therefore been given to the use of the leisure site by schools when developing the review outcomes.

Section 151 Officer/Finance

71. The current budget savings allocations now included within the MTFS for 2024/25 equate to a total of £ 1.305M
72. It is noted that should the committee resolve to approve the extension of the contract with EHL then the MTFS budget savings profile will need to be aligned to the reduction of the annual management fee to £nil.
73. Table 3 sets out the budget savings for the next year and illustrates the gap that still needs to be filled.

Proposal	2024/25
Temporary - One off use of EHL reserves	£ 460,000
Temporary – One off contribution from Public Health (Note: Provisional allocation subject to satisfying grant criteria aligned to revised contract KPIs)	£ 250,000
Permanent – income from swimming surcharge	£ 160,000
Permanent - Options membership scheme (reduction of discount to 20% in 2024/25 and then 15% year after)	£ 60,000
Reduction of corporate landlord costs related to disposal of two sites	£ 125,000
Revenue return from full implemented invest to save minor works programme	£ 0
Total proposals secured to date	£ 1,055,000
Balance to find	£ 250,000

Table 3: Summary position ,savings achieved, against required savings

Policy

74. The proposal supports the following [Corporate Plan](#) priorities.

An open and enabling organisation	A council which empowers and cares about people	A thriving and sustainable place
<i>Priority: Support a sustainable financial future for the council, through service development, improvement and transformation</i>	<i>Priority: Work together with our residents and our partners to support people and communities to be strong and resilient.</i> All services to be developed together with our residents and communities.	<i>Priorities;</i> <i>Reduce impact on the environment</i> <i>Be a carbon neutral council by 2025</i>

Equality, Diversity and Inclusion

75. A full Equality Impact Assessment has been undertaken and updated with the feedback from the public consultation. This is contained at Appendix B to this report.
76. In summary the following should be noted;
- The proposed reduction in the options scheme discount for older and younger people may have a negative impact on individuals' ability to pay and therefore access the facilities.
 - The proposed discount for people with disabilities or with long-standing illness or health conditions all of whom benefit from accessible sport and leisure activities that can boost their rehabilitation or help them maintain their health and wellbeing as well as social and mental health, maybe adversely affected by the reduction in the % discount of the options scheme which may adversely impact their ability to pay and access the facilities.

Human Resources

77. There are no human resources implications for the Council as a result of this report.
78. All resources to continue to manage and deliver the review will be obtained from within the current Council staffing establishment, supplemented by suitably procured external legal, procurement and technical advice where needed.

Risk Management

79. Table 4 sets out an overview of key project risks and their mitigation actions.

Risk	Mitigating Actions
Capital investments – current market conditions, inflation and increased costs mean that the proposed investments are not commercially viable	Undertake robust cost forecasting as part of review development process to ensure these factors are built into final business plan and hence any adjustment to the Council's capital programme.
Agreement to transfer sites is delayed or doesn't progress in time for savings to be released creating a pressure on the savings target	Early engagement with the schools and EHL is taking place in order to ensure timely progress is made
Further financial savings are needing against the commissioned Leisure service due to the overall budget position of the council.	All options are being explored to mitigate the costs of providing leisure services,

Table 4: Summary of key risks and proposed mitigations

Rural Communities

80. The access to facilities for people in the rural communities of Cheshire East, will remain largely unaffected, however public health data states that there areas of fuel poverty within this areas and an increase in pricing may affect their ability to pay for the activities, furthermore the current leisure estates is not, in the main serviced by public transport especially at nights and weekends, which further restricts access by rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

81. The proposals will protect sports and amenity spaces whilst increasing opportunities for children and young people to experience nature in their locality.

Public Health

82. Understanding variation in health and wellbeing need across Cheshire East is an essential component of the strategic leisure services review to ensure that any changes in provision optimise health and wellbeing for residents and do not widen existing health inequalities.
83. The public health implications of changes to leisure service provision have been carefully, and pragmatically considered as part of this review through a process of consensus building. Consensus building has involved input from the Consultant Leads for: Health Intelligence and Children and Young People; Health Protection and Wider Determinants; and Health and Care Public Health and by the Corporate Manager for Health Improvement.
84. Underpinning the consensus building was analysis that considered variation of health and wellbeing need across wards and towns in Cheshire East.
 - Health and wellbeing has been considered in context of public health across all ages, as outlined by the Tartan Rug 2021 and the Joint Outcomes Framework¹
 - In addition, more focussed implications in relation to poverty, children and young people, and older people have also been considered through review of relevant indicators in the: Poverty JSNA² and the Office for Health Improvement and Disparities Local Health Profiles³..
85. It will also be important to understand variation in healthy lifestyles across Cheshire East in more detail and the factors that act as barriers to adopting healthy lifestyles. Further information about people's attitudes to this will be available through the results of the lifestyle survey undertaken in January and will be used to inform future proposals.
86. Furthermore, there is a recognition that understanding the actions within the Local 'All Together Active' Plan will be another important consideration.

¹ Office for Health Improvement & Disparities. Public Health Profiles. <https://fingertips.phe.org.uk> © Crown copyright 2023 (Accessed 24 May 2023).

² Cheshire East Council (2022) Poverty. Cheshire East Joint Strategic Needs Assessment. Available from: https://www.cheshireeast.gov.uk/council_and_democracy/council_information/jsna/healthier-places/poverty.aspx (Accessed 24 May 2023).

³ Office for Health Improvement & Disparities. Public Health Profiles-Local Health. <https://fingertips.phe.org.uk> © Crown copyright 2023 (Accessed 24 May 2023)

Climate Change

87. There are no specific impacts on climate change, however the proposals would directly generate a reduction in energy usage directly by the Council across its estate, lessening its carbon footprint.

Access to Information	
Contact Officer:	Chris Allman, Head of Neighbourhood Services christopher.allman@cheshireeast.gov.uk
Appendices:	Appendix A - SLR Consultation Report Appendix B - Equality Impact Assessment (post consultation) Appendix C – Investment Plan
Background Papers:	Cheshire East Corporate Plan 2021-2025 - Pdf (browsealoud.com) Medium Term Financial Strategy 2023-2027 - Pdf (browsealoud.com) Environment and Communities Committee Policy proposals p92 (superseded) MTFS – 2024-28 Environment and Communities Committee Policy proposals p89 proposal 70