

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 29 <sup>th</sup> July 2003	<b>MEETING NAME</b> EXECUTIVE
<b>Report title:</b>		Best Value Vision for Sports and Fitness	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Director Environment & Leisure and Head of Best Value	

## **RECOMMENDATIONS**

1 That Executive:

a) Agrees the Best Value Vision for Sports and Fitness as set out in Appendix B

b) Agrees to adopt the approach on page 1 of Appendix B, under the heading 'The proposed way forward', which recommends:

- I. A long term capital investment strategy for leisure centres in partnership with a provider, which is predicated on raising external capital finance for improving leisure centres.
- II. In principle agreement to proceed with procurement on the basis of selecting Fusion as a preferred provider on the terms set out in paragraphs 16-20 (and information contained in the supplementary closed report) and subject to compliance with the procurement "gateway" process and contractor review board.
- III. Sports development continues to be managed in-house.
- IV. The sustainability of and access to facilities in parks and sports grounds is encouraged through community management partnerships.

c) Agrees a more detailed proposal, at the earliest possible date, for the long-term capital investment strategy for the following facilities:

- Elephant and Castle Leisure Centre
- Camberwell Leisure Centre
- Peckham Pulse
- Dulwich Leisure Centre
- Seven Islands Leisure Centre
- Southwark Park Sports Complex, and
- Surrey Docks Watersports Centre

d) Notes, that Herne Hill Velodrome (HHV) as primarily a regional centre needs a separate strategy. A report on the proposed way forward for HHV will be submitted to the Executive later in the year.

e) Notes that longer-term revenue savings targets will be set after the long-term capital investment strategy has been agreed.

## **BACKGROUND INFORMATION**

2. This Best Value Review began in February 2002. The services covered by the review, valued at £2.55m gross in 2002/03, were:
- a) Strategy, Commissioning and Development Unit (SCD) recently renamed Sports Strategy and Contracts (SSC). Its main role is the strategic development and performance management of the service. Expenditure was £290,000 in 2002/03. This cost reduced to £247,000 for 2003/04.
  - b) Sports Development Team:  
Its main role is developing and delivering sport in schools and in the community. Expenditure was £231,000 in 2002/03
  - c) Leisure centres, comprising:
    - Five indoor centres with facilities and services for sports and other forms of active recreation. These are Elephant and Castle, Camberwell, Dulwich, Seven Islands and Peckham Pulse.
    - Southwark Park Sports complex, which is an outdoor athletics track and all-weather pitch.
    - Surrey Docks Watersports Centre (SDWC), and
    - Herne Hill Velodrome (HHV).
- All the centres are managed by Fusion. Fusion receives an annual Council grant of £1,785,202. This enables Fusion to provide services, which are not commercially viable and target high quality services at people most in need in accordance with Council objectives. Fusion's annual turnover in 2001/02 was £4.5m.
- d) pitches and changing rooms in parks, annual expenditure £100,000
  - e) sports grounds owned by the council but managed by third parties £50,000
3. The 'Vision for Sports and Fitness' is attached as Appendix B. The four resource options for the service are set out in section 7 of the Vision.

## **FACTORS FOR CONSIDERATION**

### **Policy Issues**

4. The key findings of the review were as follows:
5. There is room for improvement in the strategic direction of the service and the extent to which the service is provided in partnership with other agencies
6. There is a good level of satisfaction with the services generally and an expectation that the Council will continue to provide sports and fitness services to the residents of Southwark.
7. There needs to be significant improvement in the standard, maintenance and cleanliness of facilities, particularly in leisure centres but also in our parks and sports grounds.

8. Black and minority ethnic communities are well represented among customers of leisure centres. Participation by other high priority groups, in particular social groups D & E and 11 – 19 year olds is below that of the best performing local authorities in the country, although it is increasing very rapidly.
9. Performance indicator trends for leisure centres show Southwark's net cost per swim/visit is comparatively high in relation to usage. Compared with other boroughs, we are in the bottom quartile of London boroughs in terms of high unit costs and short of the best performers. Performance has improved, particularly since Fusion became the provider, and the gap between us and best performing local authorities is closing.
10. Sports development appears to be cost effective, with increasing participation, good contact with and use by schools, and a national reputation for working with young people with disabilities. The community infrastructure for sport, however, remains under-developed.
11. We need to increase the level of information about, and profile of, services so residents are more aware of the services on offer and how to access them.
12. The review has concluded that the Council should continue to be a significant funder and provider of sports and fitness services. A foremost reason for this is their important role in the Council's Community Strategy and contribution, in many significant ways, to the five key priorities for the borough. These are:
  - **Tackling poverty**  
*The service helps to tackle poverty in Southwark by:*
    - Being openly accessible and affordable;
    - Creating jobs and training opportunities for local people;
    - Targeting young people; and
    - Promoting healthy body and mind through sport and other forms of active recreation.
  - **Making Southwark cleaner and greener**  
 Proposals to modernise and improve leisure centres, sports facilities in parks and sports grounds, will contribute to the general improvement of the local environment. The Peckham Pulse is a good example of this.
  - **Cutting crime and fear of crime**  
 Swimming, holiday sports programmes and coaching during and after school are just a few of the services that are targeted at young people and have proven to be very popular. Sport is an effective diversion from anti-social behaviour and crime. Southwark After School Cricket and Drop-In projects are two of our schemes aimed at engaging and supporting young people in need of positive alternatives for their time and energy.
  - **Raising standards in our schools**  
 Encouraging schools to use leisure centres and sports grounds, delivering high quality physical education on site and raising standards of coaching by school teachers helps to give Southwark children a balanced education and raise standards in schools. (See also the comments on the Review made by the Education, Youth and Leisure Sub Committee below).

- **Improving the health of the borough**

The service is helping people in Southwark to become healthier by being of good quality, widely accessible and making the strong link in people's perception between physical activity and general well-being. The service is also in-step with the Health Improvement and Modernisation Plan by prioritising people in greatest need. Examples include a health referral programme at leisure centres and providing sport in most Southwark schools.

13. As well as having an important role in the Community Strategy, the service will form a major part of the borough's cultural strategy, currently in preparation and scheduled for completion in late 2003.
14. On 15<sup>th</sup> April 2003 Education Youth and Leisure Scrutiny Sub-Committee looked at the Sport and Fitness Best Value Review. In addition to endorsing "the need for urgent capital investment into Sport and Fitness," they asked for the following to be included:
  - Services for schools and school-age children
  - The valuable link between fitness, health, concentration and attainment in school
  - The opportunity provided through sport for children to excel in non-academic areas, the positive impact this can have on their self-esteem and self-confidence which can in turn improve their attainment in school
  - The importance of sustaining the interest and talent of young people beyond the age of 16 particularly in the field of competitive sport.

These observations and objectives are endorsed in this report and ways of achieving them will be included in the action plan, which will follow implementation of this report.

15. The review proposes that the service should continue to aim to contribute to the above priorities. The opportunities for this are as follows:

Leisure centres

16. The review has shown that, Peckham Pulse aside, the Council's leisure centres are in a very poor physical state. They require urgent repair and works of around £1m just to meet health and safety requirements. A further £5 - 6m would probably be needed to meet repair and maintenance liabilities over the next few years. Up to £20m may be needed over a longer period to turn all of them into attractive, modern, high quality facilities that will attract people in larger numbers and be more financially viable and sustainable. The review has recognised that leisure facilities have been, and are likely to continue to be, a low priority for investment from the Council's core capital programme. A long-term capital investment agreement with a third party provider, over a period of up to 20 years, is identified in the review as the most promising means of generating this investment. Clearly this would be a major commitment and subject to considerable risks. At the same time it is imperative that the Council retains sufficient flexibility to invest resources in new services or facilities, should the need and opportunity arise in future. Regeneration of Canada Water and Elephant and Castle are other promising sources of investment as both schemes currently include plans for a new sports and leisure facility. Specialist consultants, KPMG, were engaged as part of the review to undertake an assessment of financing options and the benefits and risks of entering into a long-term agreement with the current provider, Fusion. They concluded that on balance, a long term-agreement with Fusion potentially represents the greatest benefit and least risk to the Council. Greater detail of their analysis is given in the closed section of this report.

17. Officers have reviewed KPMG's report in detail with the authors and have received supplementary information from Fusion addressing the issues the report raises. Based on their findings, it is proposed that, the Council establish Fusion (in principle) as the preferred partner for Southwark's sport and leisure centres, using the principles in Fusion's Outline Business Case as a basis for negotiations. This will be subject to the completion of reports to be submitted to the Council's Contracts Review Board as part of its "gateway" process for procurement.
18. The proposed long-term partnership will include arrangements for regeneration objectives at Elephant and Castle and Canada Water with appropriate break clauses and limited investment. It is envisaged that Fusion will be the preferred provider for the management of any new provision in these locations but the Regeneration project teams will be consulted nearer the time about the relationship with potential developers for these schemes. Fusion currently has leases of various lengths to occupy the leisure centres; all of these have break clause provision for the purposes of redevelopment (with Fusion as first option for any re-provided facility). The current leases are however relatively short (10 years being the maximum) and some are in their break clause period. They are, in sum, too short to allow for significant capital investment but Fusion do have rights to occupy some of our leisure centres for a number of years yet. These factors must also be considered in the choice of a long-term partner.
19. Fusion is a charitable organisation, which shares the Council's social objectives and the Council's relationship with Fusion has already been marked by significant increases in participation by target groups. It is, however, worth re-stating at this point, that ensuring access for excluded communities, who have most to gain from the objectives set out in paragraph 6 above, is critical to the future strategy for leisure centres. Cross subsidy is at the core of this, with proposals to continue and extend the programme of discounted prices to support access for young people, those aged 60+ and the economically disadvantaged.
20. Finally, the review has shown that the best performing sports are not reliant wholly on provision through leisure centres, but make creative (and cost-effective) use of other community facilities. Dual use of facilities in schools, on housing estates and in youth clubs, for example, has been pursued but with mixed success. It is clear that we will need to develop this approach more successfully in order to increase the quality and number of facilities available across the borough.

#### Sports development

21. The council has a successful sports development team, which compares well with other boroughs in terms of cost and the outcomes achieved. Along with subsidised access to leisure centres this is the Council's main means of involving excluded communities in sport. The review concludes that there is no advantage to outsourcing this service at the present time, and that in future, among other things, we should:
  - a) Continue to build on successes in accessing external funding sources;
  - b) introduce a pricing policy as a means of increasing the volume of sports development activities;

- c) improve access to activities by looking at the possibility of a voucher scheme for low-income families to access school holiday sports programmes (this year, for example, children were given vouchers to access the Millwall FC holiday sports scheme – the scheme was administered through the Football Development Partnership) this has not been done on a systematic basis as yet and will need further consideration;
- d) continue to develop and support the Council's 12 "Focus Sports", in particular improving the programme of coach education within them;
- e) sustain links with sports clubs and partners and reduce the fragmentation of sports development and leisure centre activity.

#### Sports facilities in parks and sports grounds

22. Community management partnerships are seen as the main engines for improvement. Building on current work, we will help sports clubs to take on more responsibility for developing and maintaining these facilities, to enable them to become more accessible and sustainable.

Effect of proposed changes on key stakeholders:

#### Providers

23. In Fusion's case this is subject to the outcome of future negotiations on the proposed investment programme. The same applies to SSC, as it will have a key role in procuring a new longer-term management and investment contract for leisure centres. In the case of the Sports Development Team (SDT) the proposal is to continue to provide the service as before, with some important but relatively minor re-prioritisation of work.

#### Users

24. For users of our leisure centres, following their proposed modernisation, we expect a substantial improvement in the quality of services. With this we would envisage greater demand and a significant increase in the number of people using the Leisure Centre. We also see the proposed investment for improving the facilities as a real opportunity to make the service more widely accessible and relevant to people in greatest need and target them more effectively. If this came about we would expect a greater proportion of visits by people from social groups D and E, children and young people, older people and others that we know may currently have difficulty in accessing the service. From this, we would also expect an even greater contribution to the Council's key corporate priorities (paragraph 12 above), in particular health improvement, tackling poverty and reducing crime.
25. On the other hand, without the necessary investment in the facilities, there would be a very real risk of a rapid deterioration in the quality of the service. The risk of this is particularly great at the older sites, like Camberwell and Dulwich. Faced with this a majority of users may decide to go elsewhere. Some will not have this choice and so their needs may go unmet.

26. Users of the Sports Development Team's services can expect ongoing improvements in the quality of coaching and more opportunities to progress to higher levels of performance. Greater emphasis on supporting local sports clubs to develop their capacity should mean that over time there are more opportunities for local people to play sport, or become involved or more expert in management, administration and coaching.
27. The proposal to introduce charges is not expected to reduce take-up or access to sport development. The Sports Development Team is highly valued by users. Also, the findings of the MORI survey and other consultation for this review suggest some users would be prepared to pay. The proposed policy is aimed at making the service more cost effective by maximising income from participants of a particular activity where the market will sustain it. This year, for example, the Sports Development Team has introduced a charge to cover coaching courses for schoolteachers. The course cost a total of £250 and a school could train up to 20 staff for that price. It must be accepted, however, that such opportunities for charging are very limited. Where the primary objective is to encourage access to a service and price is a barrier, the income target would be more modest and supplemented with other income streams, such as external grants, or other resources in kind. No charging will be introduced without appropriate consultation.
28. For the users of the Council's sports grounds and sports facilities in parks, unless the necessary investment for improving facilities is obtained then their quality would probably deteriorate further and they will eventually become unusable.

#### **Financial and budget implications.**

29. Paragraphs 16 to 20 set out the assessment of the option to proceed with procurement on the basis of selecting Fusion as a preferred provider, subject to compliance with the procurement "gateway" process and contractor review board. This was based on the advice from consultants KPMG. The main concerns are Fusion's ability to raise capital finance and its lack of experience in large-scale investments. These need to be explored further during the negotiations and reported, if Fusion is selected as the preferred partner.
30. The grant payable to Fusion has already been reduced by £150,000 (before inflation) as part of a three-year funding agreement entered into last year. The budgets reflect these reductions.
31. Savings beyond this level would not be possible without reducing the funding available to sports development or SSC. A cut in SSC budget would seriously damage the ability to implement the proposals of this review if taken in the short term. A relatively small reduction in the SSC budget may be possible in later years by transferral of landlord's responsibility for repair and maintenance of leisure centres to the provider. This would be one of the benefits of a new investment-linked agreement.
32. It should be noted that the above proposals would make only a marginal difference to the unit costs associated with the leisure centres, which are very high compared to other boroughs (although they have reduced significantly over the last three years). The service is acutely aware of the need to reduce these to more realistic and sustainable levels over time. It is envisaged that this will be achieved through capital investment, which will make the service more cost effective and attract users in far greater numbers. Challenging long-term targets for unit cost reduction will be set once the long-term capital investment strategy has been agreed and finalized.

## **Staffing Issues**

33. There are no direct staffing implications arising from this report, but the eventual transfer of the Surrey Docks Watersports Centre will involve the transfer of staff from the Council to Fusion.

## **Consultation**

34. Extensive consultation has been undertaken throughout the duration of this review. The outcome is reported on pages 7 – 11 of Appendix B, attached to this report.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Concurrent report of the Borough Solicitor and Secretary – legal issues**

35. The Executive is asked to agree as part of the recommendations, a long-term capital investment strategy and in principle to agree to proceed with Fusion as the preferred provider to undertake this capital investment.
36. The Local Government Act 2000 confers on Local Authorities a discretionary power to do anything, which they consider likely to promote or improve the economic, social or environmental well-being of their area. In exercising this power of well-being, a Local Authority must have regard to its community strategy. The Executive are referred to paragraph 12 of this report which sets out how these objectives play a role in the Council's Community Strategy.
37. As with all other functions of the Council, this will be subject to the general duty of Best Value, and in agreeing this strategy the Executive will need to be satisfied that it will enable the Council to secure continuous improvements in the service, having regard to a combination of economy, efficiency and effectiveness. The requirements for Best Value do not require automatic competition, but the Council will need to be satisfied that proceeding without a process of competition is in the interests of the service.
38. The EU Public Procurement Directives may govern the procurement detailed under this report. Whilst leisure services are a Part B service and are not required to be tendered in accordance with the Regulations, the long term capital investment agreement detailed at paragraph 16 may be a contract which is required to be tendered fully in accordance with the Regulations. From the information provided to date it would appear that this transaction is intended to be a 'land transaction' relating to the development of the centres, which would fall outside of the tendering requirements of the Regulations. However the Borough Solicitor and Secretary will advise further on this issue once details of the structure of the procurement are known.

### **Concurrent report of the Chief Finance Officer – financial issues**

39. The report identifies that capital investment of up to £20m is needed to improve leisure centres. Recognising that there are strong competing demands on the council's core capital programme, Members are being asked to agree to an approach which would involve a long term (up to 20 years) capital investment strategy for leisure centres in partnership with a third party provider, Fusion. This arrangement will need to be subject to the Council's "gateway" procurement process and agreement by the Contractor Review Board



- 40. As stated in the report, officers have secured professional advice on the proposals and the risks that arise. In line with the Council's Risk Management Strategy the responsible officers will be expected to document the risks and put in place management action to mitigate the risks.
- 41. The report recognises that there is a need to further reduce high unit costs over time. As these are tied in to the capital investment strategy, long-term targets will be set once this has been agreed.
- 42. Members should also recognise that they have been given clear advice in the report that once the proposals are agreed they will impact on future budget policy choices by limiting the scope to achieve budget reductions in this service area in the short term.

**REASONS FOR LATENESS/URGENCY**

- 43. This report is late because officers were awaiting final information from the appointed consultants.
- 44. It is urgent because negotiations on the future investment options need to proceed as quickly as possible for the service to reap the benefits and for external funding to be secured by our potential partners.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Sports and Fitness BVR files	Sports and Fitness section, 15 Spa Road	Nigel Robinson 020 7525 1528

## APPENDIX A – AUDIT TRAIL

<b>Lead Officers</b>	Jay Yeats, Head of Sports and Parks	
<b>Report Authors</b>	Nigel Robinson, Strategic Development Manager for Sport Paul Butler, former Best Value Lead Officer	
<b>Version</b>	Third Draft	
<b>Dated</b>	21 July 2003	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Borough Solicitor & Secretary	Yes	Yes
Chief Finance Officer	Yes	Yes
<i>List other Officers here</i>		
<b>Executive Member</b>	Yes/No	Yes/No
<b>Date final report sent to Constitutional Support Services</b>		