

**Report of: Director of City Development**

**Report to: Executive Board**

**Date: 4 January 2012**

**Subject: Review of Leeds City Council Gymnastics Training Scheme**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Killingbeck & Seacroft, Headingley, Weetwood		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

### Summary of main issues

- This report proposes to transfer the operation of the Leeds City Council Gymnastics Training Scheme to an independent Gymnastics Club, to be located in new leasehold premises. It is intended that the transfer will realise savings of approx £165,000 per annum (after 4 years tapering support) and ensure:
  - Long term sustainability of performance gymnastics within the City;
  - Enhanced opportunities to create a successful gymnast pathway to sporting excellence;
  - Greater support from British Gymnastics the National Governing Body of the sport.
  - Greater community involvement and stronger social networks of support.

### Recommendations

It is recommended that the Executive Board approve:

- The transfer of the Leeds Gymnastics Training Scheme from Leeds City Council to the City of Leeds Gymnastics Club Community Interest Company from 1 April 2012.
- That Leeds City Council provide financial support to City of Leeds Gymnastics Club Community Interest Company up to a maximum of £250,000 over the next 4 year period

- (iii) That Leeds City Council acts as guarantor on the leasehold (Unit 1 Limewood Business Park) for a period of 4 years commencing on 1.2.2012 and terminating 31.1.2015.

## **1.0 Purpose of this report**

- 1.1 To seek approval to transfer the operations from the City Council and establish the City of Leeds Gymnastics Club as an independent Community Interest Company to undertake to develop gymnasts to reach their full potential, with a reducing contribution from the City Council.
- 1.2 To help to establish the club in a converted leasehold unit, by the City Council acting as a guarantor for the initial 4 year period of a proposed 20 year lease.
- 1.3 The report explains the reasons for the change and that the current premises are required by LMU for development as a basketball facility.
- 1.4 British Gymnastics are to contribute to capital requirements of the new site.

## **2.0 Background information**

- 2.1 The Sport Service has undertaken a number of challenging measures to achieve significant savings over the past 12 months. A review of the sports development budget concluded that significant savings could be made on the Gymnastics Training Scheme if it was delivered in a different way, rather than being directly provided by the Council. The Council has consulted extensively with all key stakeholders, including coaches, parents and the National Governing Body in formulating workable proposals and has spent the past 12 months working with a transition team from COLGC to develop proposals to establish a new independent club. The current operation of the GTS is explained below.
- 2.2 The Sports Service currently manages the GTS. The GTS has three sections namely Men's Artistic, Women's Artistic and Acrobatics/Tumbling. There are 135 gymnasts registered on the GTS who train on a regular basis, up to 24 hours per week. 23 of the participants do not reside within the LCC boundaries. There are further disciplines of gymnastics that are not catered for in the programme such as Trampolining and Rhythmic Gymnastics.
- 2.3 The GTS was established to help gymnasts reach their full potential and provide pathways to sporting excellence. Most of the gymnasts on the GTS have been identified for their sporting talent and invited to attend. The majority of those who are invited to attend have progressed through the entry-level programmes that exist in City Council leisure centres. The Scheme has an open policy and gymnasts from outside Leeds are considered on an equal basis to all others; if they are deemed to have potential talent, they will be offered a place. All gymnasts pay monthly fees based on the hours they train within the Scheme. Gymnasts from outside Leeds pay the same fees as Leeds residents. The fees in the Scheme are significantly below cost and those charged by other providers of performance gymnastics in the region and nationally.
- 2.4 The estimated income from fees for 2010/11 is approximately £85,000.

- 2.5 The GTS coaching sessions take place at the Regional Gymnastics Centre in Headingley, owned by Leeds Metropolitan University and from which Leeds City Council hire evening and weekend time. Use of the facility currently costs LCC approximately £55,000 per annum for 28 hours per week usage.
- 2.6 LCC covers all the costs associated with the training of the gymnasts and all gymnasts represent the City of Leeds Gymnastics Club in competitions. There is a close working relationship between LCC and the Club.
- 2.7 In 2009, LCC and British Gymnastics (the National Governing Body) commissioned Knight Kavanagh and Page (KKP) to strategically review the delivery of Gymnastics in Leeds. This included reviewing all levels of gymnastics from recreational through to elite performance. It extensively engaged with coaches, parents, the existing Gymnastic Club officials, other local clubs and British Gymnastics officers.

The review was designed to address a number of challenges but the main rationale was to establish ways to reduce the cost to LCC while securing sustainable and comprehensive performance Gymnastics training arrangements in Leeds.

- 2.8 In some cases, the logic of the council's current involvement is not clear-cut, and at a time of financial pressure, the justification for subsidising the development of sporting excellence needs to be examined particularly carefully, because protecting this area means deeper cuts elsewhere.
- 2.9 Over the years, the council has been involved in gymnastics development programmes from entry level up to high performance. The costs of operating the GTS increased over the years, peaking in 07/08 when the net cost was £231,000. Since then, costs have been reduced to £165,000 in 2010/11 without reducing the quality of the service provided. The Scheme has produced high quality international gymnasts although it has not achieved the same competitive success as (for example) the Leeds diving programme
- 2.10 Based on a report on the 1 November 2010 officers have been consulting and working with the COLGC to develop the preferred option of establishing an independent club
- 2.11 In broad summary this work has covered:
- 2.11.1 Working with British Gymnastics and the City of Leeds Gymnastics club to establish a club catering for all the gymnasts currently in the GTS in all three sections, that over 3 – 4 years can become fully independent; operationally and financially. This will involve developing the new club to a point where they are capable of employing staff (whether casual or as employees) and entering into contracts and developing a business plan. British Gymnastics have been invited to work with LCC and the Club in developing these areas.
- 2.11.2 Identifying new premises, which allows access to the facilities throughout the day and evening that are more cost efficient than the current arrangement with LMU.

The development of commercially remunerative programmes at a dedicated site will be a fundamental aspect of the business plan. It is not ruled out that some of the development level gymnastics programmes currently hosted in LCC leisure centre's might move into such a site and effectively join the club.

- 2.11.3 The target date to transfer the GTS to the club would mean LCC cease operational responsibility of the GTS from 31<sup>st</sup> March 2012 with the club taking on this responsibility from April 1<sup>st</sup> 2012. LCC will need to support the new Club financially in its early years on a diminishing sliding scale with a clear statement that, despite any circumstances, no further funding requests will be considered beyond the agreed period.
- 2.11.4 The proposed transfer date has been reinforced as LMU plan to redevelop the existing Regional Gymnastics Centre into a basketball facility, and for which they have secured funding from English Basketball. In practice, this means that the existing GTS will have to move out of Carnegie by 31<sup>st</sup> March 2012 at the latest.

### **3.0 Main issues**

- 3.1 Meetings with the existing Coaches, British Gymnastics, Leeds Metropolitan University, City of Leeds Gymnastics Club and parents of the gymnasts in the GTS have taken place over the past 12 months and an excellent working relationship is established. COLGC (through the formation of a transition team) have fully accepted that it is in their long-term interests to establish a new independent club in the city if gymnastics is to flourish and reach its potential.
- 3.2 The transition team have been working exceptionally hard to address, namely:
  - 3.2.1 Transition Team explored numerous facility options, seeking a new venue that would meet the specification British Gymnastics recommend for a Gymnastics Centre. The preferred site is Unit 1 Limewood Business Park, Seacroft that is currently an industrial site with use permitted under B1, B2 and B8 categories. An application is currently in progress seeking permission for D2 use, which would allow conversion to a Gymnastics Facility.
  - 3.2.2 As Executive Member for Leisure, Councillor Ogilvie has been consulted with regard to the project. Local ward members for Killingbeck and Seacroft, Councillors Brian Selby and Graham Hyde have been consulted and noted the benefits that the facility could bring to the wider community.
  - 3.2.3 In order that the Club is able to secure funding from British Gymnastics to convert the new facility, a minimum 20 year lease is required. As the Gymnastics Club is a newly formed entity, the building owner has stipulated that LCC act as a guarantor for the lease. Due to the associated risks, it has been negotiated that LCC could guarantor a maximum of the first 4 years of the lease with the club being liable for the remainder.
  - 3.2.4 British Gymnastics have committed £120,000 capital funding towards the refurbishment of the site and equipment requirements, this funding must be spent

by 31 March 2012 and there is no scope for this date to extend. An element of the funding from LCC could support the capital costs, if required although; the intention is for this funding to support the revenue costs.

- 3.2.5 Leeds Metropolitan University have agreed to support the Club by donating the majority of their existing gymnastics equipment. This will significantly reduce the expenditure on equipment.
- 3.2.6 To develop revised governance arrangements for the new club through the establishment of an incorporated Community Interest Company (CIC) limited by guarantee. Through this arrangement, a statutory asset lock protects the assets of the Club. The CIC will be managed by a board of trustees who will be appointed through a fair and open process.
- 3.2.7 During the period that LCC fund the project, a review committee could be formed to oversee the progress of the organisation and monitor the sporting outcomes that would be agreed as part of the funding agreement. This committee could, for example, include elected members, officers from the council and COLGC to oversee progress over the period of the funding agreement.
- 3.2.8 To develop a business plan that is sufficiently robust for the council to act as guarantor and provide short term funding support.
- 3.2.9 The business plan will be required to include accurate, reasonable expenditure in terms of utilities, staffing and maintenance and similarly, an accurate income forecast. Income generating activity such as parent and toddler classes, recreational boys and girls classes, adult classes etc will be expected to ensure that sufficient income is generated.
- 3.3 Overall, officers are satisfied that the clubs draft business plan and outputs are sufficiently robust to allow the transfer to continue. Therefore subject to the submission of a satisfactory final business plan it is recommended to approve the transfer and for LCC to act as Guarantor based on the terms stipulated within this report.

## **4.0 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The report has highlighted that extensive consultation has been undertaken with all the key stakeholders, including the City of Leeds Gymnastics Club, the transition team from the City of Leeds Gymnastics Club, coaches, parents, Leeds Metropolitan University. Killingbeck & Seacroft, Headingley and Weetwood ward members have been consulted in relation to the planning application for change of use of the premises for Unit 1 Limewood Business Park and the transfer from LMU's Carnegie site and are supportive of the proposals.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 An equality impact assessment has been conducted and is included as part of the background papers. Consideration has been given to the impact of transferring

the gymnastics scheme from LCC to a new Club and on balance the opportunities afforded are likely to be enhanced compared to the current scheme, rather than diminished. Furthermore should the transfer not take place the likely outcome would be a curtailment of the gymnastics scheme as currently operated by LCC.

### **4.3 Council Policies and City Priorities**

4.3.1 The project supports the City Priority Plan 2011-15 by supporting :

Best City... for health and wellbeing - healthy lifestyle choices

Best City... for children and young people

Best City... for communities - increase a sense of belonging that builds cohesive and harmonious communities

4.3.2 The project supports the Council Business Plan 2011 – 2015 by :

Supporting the Council's values

- working as a team for Leeds
- working with communities
- treating people fairly
- spending money wisely

Supporting City Development priorities

- create the environment for effective partnership working
- market and promote the city
- develop the council's cultural events and facilities including changes to sports centres and libraries
- maximise income to support the delivery of the budget

### **4.4 Resources and Value for Money**

4.4.1 LCC will need to financially support and provide officer resource to the City of Leeds Gymnastics Club to develop and manage itself independently within a given time period. During this time (maximum four years) the target will be for it to become self sufficient.

4.4.2 Projected financial support required from LCC based on figures illustrated in the review is as follows:

	£000s
Current cost per annum	165 (approx)
2011/12	20
2012/13	80
2013/14	75
2014/15	50
2015/16	25
2016/17	0

The feasibility work will confirm the figures and phasing but it is proposed to work on the basis that the overall council allocation is capped at £250k. Thereafter the club could apply for further funding through the councils grant-funding programme, "Leeds Inspired".

4.4.3 In order that the Club is able to secure funding from British Gymnastics to convert the new facility, a minimum 20-year lease is required. As the Gymnastics Club is a newly formed entity, the building owner has stipulated that LCC act as a guarantor for the lease. Due to the associated risks, it is proposed that LCC could guarantor a maximum of the first 4 years of the lease with the club being liable for the remainder. This potential liability on LCC would include the underwriting of the lease for the period which would total £128,550, taking account of favourable terms proposed by the building owner for the first 4 year period. These terms are; Year 1: rent free, Year 2: 6 months rent free, Year 3: 6 months rent free, Year 4 onwards: full rent payable. Other costs that LCC would be required to meet ( should the Club default on the lease ) would include dilapidations, rates and service charges . Given that the facility will require buildings works to convert it to use for gymnastics the dilapidations charge could be in the region of up to £60,000. The club would require the lease to commence on the 1/02/2012 so that conversion works can be made prior to the new gymnastics centre opening to the public on the 01/04/2012.

4.4.4 As referred to in para 3.2.4, British Gymnastics have committed £ 120,000 capital funding towards the refurbishment of the site and equipment requirements (to be spent by 31<sup>st</sup> March 2012), and in para 3.2.5, LMU have agreed to donate the majority of their existing gymnastics equipment.

4.4.5 Approving the business plan will be a critical factor in the decision making process to ensure that it is a robust model and limits the probability of any liability to LCC.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 A legal agreement is being drawn up by the City Council to formalise arrangements with the Gymnastics Club.

#### **4.6 Risk Management**

4.6.1 As previously outlined attempts have been made to mitigate the risk associated with the transfer by capping the maximum amount of revenue funding to be made available to the club, as well as limiting the Councils exposure in terms of acting as guarantor. The transfer is not without some risk and is dependant on the new club being successful in delivering their business plan.

4.6.2 A contractual agreement will be signed between the Club and LCC, highlighting all conditions of the grant and lease guarantee arrangements.

#### **5.0 Conclusions**

5.1 The current level of subsidy to the GTS, particularly the high level of subsidy per participant, cannot be justified against other Sports Service priorities and is not

sustainable by LCC in the long term against the current financial climate. However the scheme is valuable and important to a number of people and proposals have been developed that would give the city a far better, more sustainable gymnastics training scheme, operated by the Gymnastics community themselves. The proposals have the support of all the key stakeholders.

## **6.0 Recommendations**

It is recommended that the Executive Board approve:

- (i) The transfer of the Leeds Gymnastics Training Scheme from Leeds City Council to the City of Leeds Gymnastics Club Community Interest Company from 1 April 2012
- (ii) That Leeds City Council provide financial support to City of Leeds Gymnastics Club Community Interest Company up to a maximum of £250,000 over the next 4 year period
- (iii) That Leeds City Council acts as guarantor on the leasehold (Unit 1 Limewood Business Park) for a period of 4 years commencing on 1.2.2012 and terminating 31.1.2015

## **Background documents**

1. KKP report British Gymnastics and Leeds City Council Strategic Review of Gymnastics - November report
2. EIA