



Report of the Director of City Development

Executive Board

Date: 13 October 2010

Subject: South Leeds Sports Centre

Electoral Wards Affected:
City & Hunslet

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

Executive Summary

On the 26th August 2009 Executive Board considered a report about the Vision for Council Leisure Centres. Executive Board resolved to seek expressions of interest to transfer the South Leeds Sports Centre to a community organisation and to close the centre should no suitable community group be identified, to coincide with the reopening of the new Morley Leisure Centre.

On the 22nd June 2010 Executive Board considered a further report describing proposals received following advertisement of the site for Community Asset Transfer and agreed to keep it open for a further four months while officers worked further with Tiger11. This report provides an update on the current position and highlights the significant fall in visits to the sports centre following the opening of Morley Leisure Centre. Based on the high cost of continued operation, the report therefore recommends that South Leeds Sports Centre is now closed. The report also highlights that further proposals have been forthcoming from Tiger11 which would maintain the facility as a community asset. Although there remain issues to be resolved before a final recommendation on asset transfer can be made, it is proposed that officers work closely with Tiger11 to enable a final proposal to come forward for future Executive Board consideration.

1. Purpose of the Report

This report seeks to obtain Executive Board's approval to:

- the closure of South Leeds Sports Centre in the short-term
- officers bringing back a report to a future meeting to consider the proposal from Tiger11 to a community asset transfer once further work has been undertaken to seek to agree the heads of terms of any arrangement.

2. Background

2.1 In August 2009 Executive Board considered a report about the Vision for Council Leisure Centres. With regards to South Leeds Sports Centre Executive Board resolved:

- To seek expressions of interest to transfer the South Leeds Sports Centre to a community organisation.
- To close South Leeds Sports Centre (if no suitable community group is identified) when the new Morley Leisure Centre opens in 2010 and to concentrate leisure provision at the John Charles Centre for Sport and Morley.

2.2 The August 2009 Executive Board set out the criteria for asset transfer as follows:

- no ongoing financial commitment
- transparent community or public control and robust governance arrangements
- any leases to be on a full repair and maintenance basis for a minimum of 10 years
- adequate public liability insurance put in place by the organisation
- sound business plan for using the facility in the public interest
- evidence of sufficient funding in place to avoid coming back to the Council for capital, revenue or emergency funding.

2.3 Further to expressions of interest being invited in October 2009, only one was received from Tiger11 (a local development trust) in partnership with Joseph Priestley College and the Hamara Centre.

3. Main Issues

3.1 Morley Leisure Centre opened to the public on the 22 June 2010. However, in June 2010, Tiger11 asked for more time to develop their proposals and, in considering this request, Executive Board resolved to keep South Leeds Sports Centre open for a further four months to allow Tiger11 further time to develop their proposals.

3.2 That four month period has now elapsed and during this time the number of visits to the Sports Centre has shown a significant fall, coinciding with the opening of the new Morley Leisure Centre. Since Morley Leisure Centre reopened the number of visits has fallen by 83% compared to the same period in 2009 (weeks 16-19). In addition, most of the remaining activity has been free swims, which ended on 31 August 2010 following the withdrawal of Government funding to support this initiative. Figures for the week commencing the 26th August show a drop of 90% compared to the same period in 2009. As a consequence of this position, the Council is having to carry unbudgeted cost of £25,000 per month to keep the facility open.

- 3.3 Looking at the user numbers in more detail, on average for weeks 16-19 there were 49 weekly gym visits, which is less than 10 a day. In addition there were 5 visits to a fitness class, 78 racket players and 320 swims (mostly free junior swims). In total, the 452 weekly visits compares to 2,646 visits for the same period in 2009. For week 23 this position has worsened to 215 visits compared to 2,243 for the comparative period in 2008, (the periods before and after free swimming was introduced).
- 3.4 One aspect of the recreational facilities that remain reasonably well used are the adjacent playing fields, which are used by a local junior Rugby League team and a local Gaelic Football Team who both use the changing rooms within the centre. The cost of providing a basic sectional changing facility on the site is estimated at a minimum of £100,000. However, officers are currently looking to identify alternative venues, with a view to the facility being made available to them again by Tiger11 should the community asset transfer and their refurbishment proposals be approved by Executive Board.
- 3.5 From a financial perspective the deficit per visit for July 2010 is estimated at £7.75 and with the withdrawal of free swimming at the end of August 2010, this is expected to rise to c£10.00 per visit or above.
- 3.6 In view of the position highlighted above, it is clear that the ongoing provision of the centre by the Council is becoming both financially and operationally difficult to maintain and that in the context of the broader budget pressures faced, the Executive Board may wish to consider whether it is appropriate to continue to operate the facility pending the finalisation of any proposals put forward by Tiger11.
- 3.7 With respect to Tiger11, with the financial assistance of an £8,000 grant from the Inner South Area Committee, they have brought forward revised proposals with the assistance of IID Leisure Solutions, the consultancy arm of Kirklees Active Leisure. Original proposals submitted to the Council in May 2010 indicated that costs were too high comparative to income with a consequent overall impact on the business plan. However, subsequent to this position, Tiger11 modified its proposals and submitted a new feasibility report in August 2010. Tiger11's latest proposal indicates that they feel they can make the centre viable over the medium term starting with an operating deficit in 2012 of £240k, but moving to a break-even by 2016 and then surplus position thereafter. This cash flow position would be financed by a working capital provision of £550k, which would form part of the £2m Community Builders Fund application that Tiger11's proposal is dependent upon. This application would seek to secure a grant of £827k and a loan of £1.173m .
- 3.8 Tiger11 have also put forward three variant proposals to their bid, which are presented below as options 2, 3 and 4.
- 3.9 Option 2 requests a subsidy from the Council of £250K over a four year period, starting at £100k in 2012 and reducing by £25,000 per year thereafter. This additional finance would enable further capital works to the building.
- 3.10 Option 3 requests an identical subsidy from the Council to reduce the funding required from Community Builders and therefore reduce loan repayments. This would be the strongest financial position for Tiger11.
- 3.11 Option 4 omits the pool from the business plan.
- 3.12 Members will recall that Executive Board agreed in August 2009 that no ongoing financial support would be provided should any centre be transferred to the

community. On that basis, this position was made clear in the invitation for expressions of interest, so options 2 and 3 have not been considered further at this time. Tiger11's business model indicates that Option 4 makes the financial viability of the centre worse, so this option has not be considered further either.

- 3.13 In considering Tiger11's main proposal, officers have reviewed it in the context of the principles established by Executive Board in August 2009. Overall the proposal has some strengths, but there are areas of risk that remain that Tiger11 would have to manage should the transfer progress. In addition, some areas of the proposal will need further work which are outlined below:

Transparent community or public control and robust governance arrangements

- 3.14 Based on the principles agreed by Executive Board it is evident that the proposal provides transparent community or public control with robust governance arrangements. The centre would be leased to a subsidiary of Tiger11 which is a community owned industrial provident society as well as being a development trust.

In addition, the proposal clearly seeks to use the facility in the public interest by providing a range of recreational opportunities to the community which aligns closely to the well being powers of Leeds City Council.

No ongoing financial commitment

- 3.15 Option 1 has been put forward on the basis of no subsidy from Leeds City Council. Whilst it is clear that taking on the operation of the facility presents a risk to Tiger11, in essence their proposal meets this requirement of the Council with the exception of the repair liability proposal which is outlined further below.

Adequate public liability insurance put in place by the organization

- 3.16 Tiger11 has not explicitly confirmed this in their proposal. However, it is not seen as a barrier to making further progress and would remain a requirement of the Council, which Tiger11 would need to accept as part of their operational responsibilities.

Sound business plan for using the facility in the public interest

- 3.17 Tiger11 have submitted a revised business plan that indicated how they intend to make the sports centre a viable proposition as a community facility, which is clearly in the public interest. It is evident that the business plan includes a number of risks with respect to the income and expenditure forecasts proposed, some of which appear challenging. However, ultimately, it will be for Tiger11 to accept these risks and to adapt their operation to ensure that their proposal remains a viable proposition and for Members of the Council to be clear that this risk is being transferred to the new operator.

Any leases to be on a full repair and maintenance basis for a minimum of 10 years

- 3.18 Tiger11 is seeking a lease for a 40 year term which is understood to be a requirement of Community Builders. This may include potential requirements from Community Builders for security, which officers will need to understand more fully before being able to advise on the potential implications for Leeds City Council. Also Tiger11 is seeking a lease which requires the Council to retain the repair

obligations for the structural integrity of the building. This requirement does not meet the principle established by Executive Board and given the nature of the building and the swimming pool in particular, this could be an onerous responsibility which could have significant financial consequences. Further work will be required for Council officers to be able to quantify this risk.

Evidence of sufficient funding in place to avoid coming back to the Council for capital, revenue or emergency funding.

- 3.19 The ability of Tiger11 to deliver their proposals for South Leeds Sports Centre is contingent on them securing sufficient external funding as outlined in their current business plan. Their proposal includes an application for investment funding of £2m from the Community Builders Fund, should the Council agree to lease the building. However, at this stage it is not certain that this application will be successful. Tiger11 propose to invest £1.1m plus fees into a refurbishment of the centre. This sum is unlikely to cover a complete refurbishment and it will be incumbent on Tiger11 to ensure that it is invested wisely. It will also require the closure of the building whilst the refurbishment programme is undertaken.

In view of the position outlined above, the Council has four options to consider, namely:

Option 1 - Keep the Sports Centre open pending further work on Tiger11's proposals for a community asset transfer

Option 2 - Close the Sports Centre now and accept Tiger11's proposal for community asset transfer.

Option 3 - Close the Sports Centre now and decline Tiger11's proposal. This option would lead to a recommendation to demolish the facility with further consideration of the sites use as a capital receipt, or as part of any regeneration programmes in the area.

Option 4 - Close the Sports Centre now and continue to work proactively with Tiger11 on their proposals for consideration by Executive Board later this year.

4. Analysis of Options

- 4.1 In considering the above options officers are of the view that the usage of South Leeds Sports Centre has fallen below a level that now makes it an unviable proposition to remain open as a Council run facility. The facility is costing an unbudgeted £25,000 per month, which equates to £300,000 in a full year. Given the acute budget pressures faced by the Council and with no meaningful prospect of this position changing, officers do not recommend keeping the facility open. On a similar basis, officers would not recommend option 2 given that elements of Tiger11's proposal remain unresolved and although progress has been made, the position is not finalised in relation to security against the asset and maintenance liabilities to enable a clear recommendation to be made to progress the Community Asset Transfer at this stage.
- 4.2 Accordingly, consideration needs to be given to option 3 and 4. Turning to option 3, it is evident that this is the lowest risk option for the Council to take. The Sports Centre closes, the building is demolished and the Council has no further liabilities, with the prospect of a capital receipt at some point in the future. However, whilst this option may present the lowest risk, it also results in the long-term loss of a long-

standing recreational facility in an area of the city which experiences relatively high levels of social and economic deprivation. In considering Option 4, given the high level of interest by a community organisation to try and develop the facility as an asset for public use, Members may feel it appropriate to afford Tiger11 more time to finalise their proposals, particularly with regard to maintenance responsibilities, loan security and their financial forecasts, prior to coming to a final view on this matter. In particular, Members may wish to consider this issue in the context of Government support for Community Asset Transfer, the Big Society and the emphasis on localism, which may lead to the conclusion that Tiger11 be given further time to ensure that they can come forward with the best and most sustainable proposition possible before Executive Board comes to a final view on this matter.

- 4.3 In particular, Tiger11's proposals will require the closure of the facility for a period of time to enable them to undertake the refurbishment programme outlined in their business plan. On this basis, the closure of the facility by the Council now does not impinge on the future plans of Tiger11 and will enable Executive Board to come to a final view on the merits of the asset transfer once officers have finalised the Heads of Term of the arrangement that Tiger11 are agreeable to. In the meantime the Council can enter into an exclusivity agreement with Tiger11 for a period of 6 months to formalise the relationship without undue risk to the Council.

5. Legal and Resource Implications

- 5.1 Well being powers are afforded to the Council by section 2 of the Local Government Act 2000, which enables the Council to dispose of land and buildings for less than best consideration where the undervalue is £2,000,000 or less. In addition, the Council would need to be satisfied that the land was held under powers which permit it to be disposed of under Local Government Act 1972 and that the purpose for which the land is to be disposed is likely to contribute to the achievement of anyone of the following objects in respect of the whole, or any part of the Council's area or of any person resident or present in the area:

- The promotion of the economic well-being;
- The promotion or improvement of the social well-being
- The promotion or improvement of environmental well-being as set out in the Council's community strategy, which is the Leeds Strategic Plan.

- 5.2 The final proposal forthcoming by Tiger11 will need to be considered in the context of these powers when it next comes to Executive Board.

- 5.3 Should Members agree to the proposals of Option 4 outlined in this report the Sports Centre will need to be made safe and secure as an interim measure. One off costs for securing the site are estimated at £13,650. In addition, the ongoing costs are likely to be c£1,000 per month to cover security patrols, alarm monitoring and maintenance of the electrical services.

6 Risk Implications

- 6.1 There are a number of risks inherent in the issues considered in this report for Members to consider. In the main Members will need to consider:

The risk of keeping the building open indefinitely with the unbudgeted costs associated with its ongoing operation. In light of this risk, officers are recommending closure.

- 6.2 The prospect that Tiger11 may ultimately not be able to come forward with a viable and fundable proposition. Implicit in the conclusion of this report is the desire for the Council to want to try and make a community asset transfer work as the means of maintaining a recreational facility for the local community. In that regard officers will work with Tiger11 to try and ensure that they do come forward with a viable proposition that aligns with the principles agreed by Executive Board in August 2009.
- 6.3 In making a decision on Community Asset Transfer Members will need to be satisfied that Tiger11 has sufficient financial capacity and resilience as an organisation to take on the additional obligations of running the Sports Centre. To consider this risk officers will include an assessment of this risk in the next Executive Board report to inform any decision that is made.
- 6.4 The potential for the building to be damaged during the period that it is closed. There is the prospect of the building be the subject of vandalism should Members approve its closure. To mitigate this risk Corporate Property Management would be asked to secure the building and put appropriate monitoring arrangements in place.

7. Equality Implications

- 7.1 As part of the preparation of this report, officers have given consideration to the equality impact of the proposals outlined and prepared a draft equality impact assessment which is referenced as a background document to this report. The equality impact assessment will be finalised when the community asset transfer is finally determined by Executive Board.

8. Ward Member Consultation

- 8.1 City & Hunslet Ward Members and neighbouring Beeston & Holbeck Members have been consulted on the recommendations of this report. Ward Members have previously said they would like to see the centre remain open. However, at the time of writing only one new comment has been received, which queries whether additional income from more well used facilities could be used to cross-subsidise South Leeds. However, the Head of Sport and active Recreation advises that all sports centres are subsidised but the budgeted level of subsidy for the centre cannot support the level of subsidy that would be required for South Leeds Sports Centre. If any further comments are received they will be reported verbally to the meeting.

9. Conclusions

- 9.1 Members of Executive Board have previously approved the closure of South Leeds Sports Centre once the new Morley Leisure Centre opened to the public. Whilst Members did give a four month extension for the facility to remain open, it is clear that usage levels are now very low and placing a significant budget pressure on the Sport and Active Recreation Service of the Council. On that basis, and in the context of the Council's broader financial pressures, the officer recommendation is that the facility should now close and that the Acting Director of City Development is given authority to plan and implement the closure of the facility in the short term.
- 9.2 Notwithstanding this position, it is evident that Tiger11 have come forward with proposals to refurbish the facility and bring it back into use as a recreational facility for the community. This proposal will necessitate the closure of the building for a period of time in any event. Currently, officers are not in a position to bring forward

Heads of Terms that are agreeable to both parties and that can be recommended, however, with further work the intention will be to bring forward a proposition before the end of 2010 for Members to consider, which maintains the prospect of the facility being brought back into use under the management of a community development trust.

10. Recommendations

Members of Executive Board are asked to:

- (i) authorise the Acting Director of City Development to commence the closure of South Leeds Sports Centre in consultation with the Executive Member for Leisure and to make arrangements for Corporate Property Management to secure the building.
- (ii) request that officers undertake further work with Tiger11 to enable proposed Heads of Terms for a Community Asset Transfer to be developed that are consistent with the principles established in August 2009, for further consideration by Executive Board in December 2010.
- (iii) to authorise the Acting Director of City Development to enter into a 6 month exclusivity agreement with Tiger11 for South Leeds Sports Centre.

Background Papers:

Asset Management Service file

Draft Equality Impact Assessment