

North Yorkshire Council

LGR Transition Overview and Scrutiny

4 December 2023

Strategic Leisure Review

Report of the Corporate Director [Community Development].

1.0 PURPOSE OF REPORT

- 1.1 To seek support for the key findings from the first phase of the Strategic Leisure Review in terms of the proposed new delivery model and proposals for the future management arrangements of the service. To set out the scope for the second phase of the Strategic Leisure Review which is the undertaking of a Leisure Investment Strategy.

2.0 SUMMARY

- 2.1 This report outlines the initial findings and recommendations from phase 1 of the Strategic Leisure Review. It recommends a new delivery model for a sport and active well being service, with a strong focus on health and well being and which promotes a strong integration between physical facilities (leisure centres), sports development and place based delivery.
- 2.2 This report also sets out the management options for the new service, taking into account the current complex management arrangements for the service and the assessment against a range of financial and non financial criteria. The report concludes that the current arrangements be streamlined over a phased period as current contracts end - with delivery moving ultimately to a single in house model over a 4 year period, with some flexibility over the phasing.
- 2.3 The report further outlines the scope of the next phase of the Strategic Leisure Review – the undertaking of a Leisure Investment Strategy.

3.0 BACKGROUND

- 3.1 In December 2022, the Council's Executive agreed the scope of a strategic review of leisure services as set out below.



- 3.2 The Review has been supported by a cross party Member Working Group as below, chaired by the portfolio holder, Cllr. Simon Myers.
- Cllr. Mark Crane
 - Cllr. Roberta Swiers
 - Cllr. Caroline Dickinson
 - Cllr. Paul Haslam
 - Cllr. Peter Wilkinson
 - Cllr. Pat Marsh
 - Cllr. Rich Maw
 - Cllr. John Cattanach
 - Cllr. David Noland
- 3.3 The Member Working Group have undertaken a series of visits to facilities across the county, from all operators and including community owned/managed facilities. The group participated in workshops and a number of meetings to assess and challenge the emerging model and recommendations. The Working Group conclusions were:
- The Working Group fully supported the new delivery model as set out below, particularly the focus on health and well being, sports development and locality focused delivery. The phased approach to implementation was supported.
 - The Working Group fully supported the recommendation that a procured model was not appropriate at the current time and wished to see the service delivered through a council controlled model. It was recognised that the cost/benefits between the in-house model and Brimhams Active were similar and the strengths of each were recognised.
 - The Working Group supported the consolidation into a single model over the longer term, however, the phasing of this and the balance between the in-house and LATC model were considered to be best determined by Officers as part of wider operational considerations.
- 3.4 The Review has been jointly led by the community development service and public health, supported by the Member Working Group above and an internal leadership group comprising of finance, legal, procurement, HR and property representatives.
- 3.5 The Review has been supported by SLC Consultancy who were commissioned to provide specialist support for the review including technical input, critical friend, insight and expertise around the delivery and management models.
- 3.6 The review has been underpinned by wider engagement with communities and key stakeholders as set out in section 5 below.
- 3.7 The Strategic Leisure Review is being undertaken in phases. This report relates to the recommendation from phase 1 which has focused on
- Development of a clear, long term vision and delivery model. Understanding and reaching consensus about what we want our leisure service to look like.
 - Identification of the preferred management model which best enables the North Yorkshire vision and delivery model to be achieved.
 - Implementation plan, phasing and key outcomes from each stage
 - Review of current asset condition
 - Social value and financial assessments
- 3.8 Phase two is the development of a Leisure Investment Strategy which will set out options relating to individual sites, specifically areas of investment and potentially disinvestment. This is further set out in section 4 below.

4.0 STRATEGIC LEISURE REVIEW ASSESSMENT AND FINDINGS

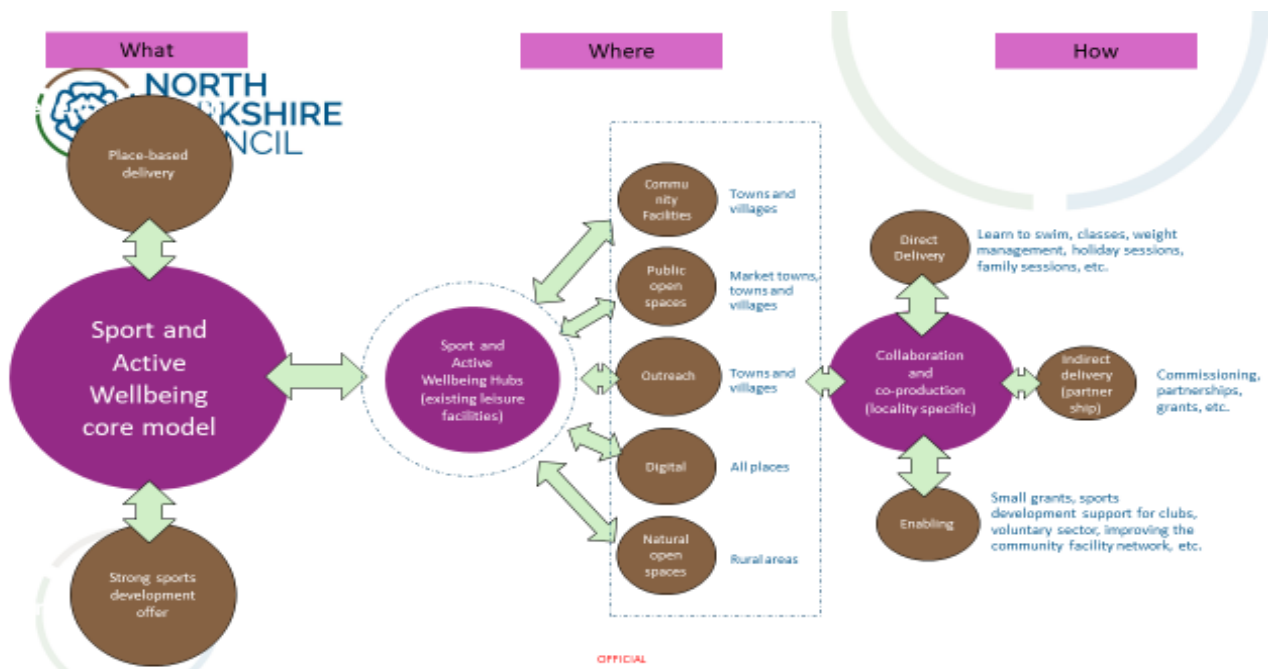
4.1 North Yorkshire Council has one of the biggest leisure portfolios in the Country, with 19 leisure centres, including 16 pools in addition to 3 well being hubs (Harrogate), a nursery (Harrogate), the Turkish Baths and the Summit (Selby). There are five different operators currently, including two outsourced providers (IHL in Selby and Everyone Active in Scarborough and Ryedale); in house provision in Hambleton and Craven, a Leisure Trust that runs Richmondshire Pool and Brimhams Active in Harrogate, a wholly owned Local Authority Trading Company (LATC).

Delivery Model

- 4.2 A new delivery model is proposed for the service. This has been developed based on the original scope (approved by the Executive in December 2022), current state analysis and the engagement work. It is closely aligned with national policy and strategic thinking and puts the council at the forefront of a national movement to transform the role and function of Local Authority leisure services with a renewed focus on physical and mental health and wider well being.
- 4.3 The costs associated with physical inactivity are well documented, with physical inactivity associated with 1 in 6 deaths in the UK and costs of £7.4billion annually (£0.9billion to the NHS). The UK population is 20% less active than in the 1960's and if trends continue projected to be 35% less active by 2023. The impact of inspiring and supporting people to be more active is life changing.
- 4.4 The new delivery model is a bespoke model for the unique circumstances of North Yorkshire. It builds on some of the good practice we have but represents significant and ambitious transformational change. The aim is for high impact, preventative services that have the capacity to take demand out of the wider health and social care system and improve population health.
- 4.5 The delivery model will shift the traditional leisure service to a sport and active well being service. This builds on the work that is already happening across the County to provide a range of targeted support (e.g. for specific conditions, pre and rehab, healthy weight, exercise referral, dementia, frailty and pain management etc.) as well as increasing the inclusivity of programmes (e.g. walking formats, disability sport and programmes targeted at groups such as care leavers, foster carers and homeless people). It recognises the costs to the public sector of inactivity and enables a greater contribution to wider Council outcomes around public health and social care.
- 4.6 The model below is not just about what happens in leisure centres but promotes a strong integration between physical facilities (sport and well being hubs), sports development and place based delivery. Key components include:
- Transforming our leisure centres into **sport and active well being hubs** – this will be a phased approach, adapting the existing space, developing new universal and targeted programmes, developing options with wider partners and looking at longer term options through the Leisure Investment Strategy.
 - Sport and Active Well Being Hubs will operate as a hub and spoke model with a network of **locality based services**, which meet the needs of local communities and are developed through collaboration and co-production. This might include direct delivery through outreach, innovative digital delivery alongside supporting

community groups and sports clubs in providing opportunities for people to become more active.

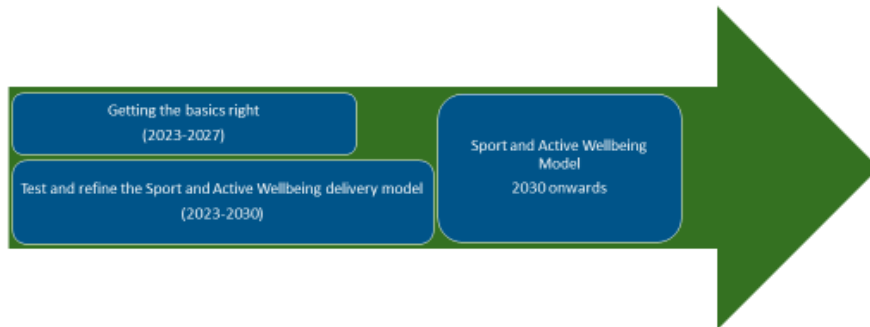
- The approach is locally specific and a mix of targeted and universal provision, so there is scope to develop targeted programmes for specific areas or to meet the needs of specific groups who may face additional barriers to participation.
- The approach recognises the contribution of physical activity to preventative health and the potential for greater partnership in **prevention** with the NHS, securing more resources to reduce downstream pressure on the system
- **The approach is to scale and adapt** expertise in sport and active wellbeing across the County.
- Key to the success of the new model is an upskilled sport and active wellbeing **workforce**, with a range of skills and capabilities that reflect the needs of their communities and enable us to address recruitment and retention issues which inhibit service delivery.



4.7 The phased approach to implementation (2023-2030) is key to the successful transformation of the service. The period and phasing reflects the starting position and the need for change to be sustainable and affordable. An incremental approach de-risks the approach and better enables us to deliver successful transformational change in services in a period of major internal service change.

Delivery Model - when

Transformation Phases 2023-2030



OFFICIAL

Management Model

4.8 The assessment of the management options is complex and nuanced, reflecting a complex starting position and a number of uncertainties. The appraisal has assessed a set of financial and non financial indicators and taken account of the specific circumstances in North Yorkshire, specifically

- We are probably the largest leisure providers in the Country We have a complex mix of existing management models.
- We don't have a stable, single current state for easy analysis or comparison – financial patterns are distorted by the impact of Covid and the challenges of bringing together 7 different ways of operating. We don't yet have an agreed Countywide Leisure Investment Strategy (this is the next phase of the Review).
- We need a model that is flexible enough to support major service transformation at the same time as a change of operator. i.e. we want a focus on delivery at the same time as we undertake major internal restructuring. A potential risk is we become inward facing and lose the opportunity to deliver genuinely transformed services for communities.
- We want to retain strategic control of services and flexibility as we transform services in the coming years, the non financial assessment criteria reflected these priorities.

4.9 The assessment is shown at Appendix one and considered a number of criteria as summarised below:

| Financial Criteria | Non Financial Criteria |
|--|--|
| Comparative revenue cost | Strategic control and accountability |
| Financial certainty | Flexibility to implement a leisure management strategy |
| Mobilisation costs | Flexibility for service transformation |
| Access to capital funding | Ability to work with system partners |
| Access to revenue funding (other partners) | Contribution to social value |
| Transfer of commercial risk | Delivery of unique, place based interventions |

- 4.10 Models were assessed based on the above criteria against three options:
- Commissioning an operator through procurement resulting in the appointment of a multi-site leisure operator. These operators are normally non profit distributing or hybrid private operators with a non profit arm.
 - Directly commissioning services through a Local Authority Trading Company (LATC). The Council already has a LATC in Brimhams Active which manages the Harrogate sites. For the assessment it was assumed that the LATC option would involve expanding Brimhams Active.
 - Direct commissioning through in-house management as is currently the case in the former districts of Craven and Hambleton.
- 4.11 The financial assessment in Appendix 1 provides a comparison of the potential costs of each management model. It is based on historical information from 22/23 from the legacy district arrangements. It reflects income and expenditure for each centre from all operators (not the actual costs to the Council) and relates to leisure centre income and expenditure only, as the largest component of leisure expenditure. It is not an indication of costs going forwards, rather a comparison of the relative costs of each model.
- 4.12 The model takes into account some key variables in particular the impact of NDR relief, VAT treatment, staffing costs (based on differential terms and conditions) and builds in expectations about how each model would be expected to behave. Crucially this assumes that a procured model (and to a lesser extent the LATC model) will drive higher levels of income and lower expenditure.
- 4.13 It should also be noted the relatively high level of management/support costs in the baseline. These are unusually high but they reflect the legacy arrangements and the way that support services costs were apportioned against budgets (rather than reflecting actual costs). Whilst these are costs for the leisure service specifically it is worth noting that these costs largely reflect internal support charges and therefore this is money that remains within wider Council budgets. Comparisons between the inhouse/LATC models and the procured provider should note that with a procured model support costs will be external to the Council, whereas the in house and LATC model retain these services in house as support services income.

Competitive Commissioning of an operator partner

- 4.14 A competitive procurement which resulted in a multi site trust operator has the potential to deliver lower costs for the Council based primarily on reduced staffing costs, arising from less favourable terms and conditions, the impact of NDR relief and assumptions about higher levels of income and lower expenditure based on economies of scale. Whilst these are general assumptions it is worth noting that North Yorkshire is not typical in this respect and given the size and scale of the leisure operation it is reasonable to assume there are opportunities to develop expertise and economies of scale which are more difficult with smaller services consisting of only a few sites.
- 4.15 The assessment concluded that despite outsourced leisure models generally delivering lower costs there would be significant challenges in these being realised within a North Yorkshire context at the current time. Management contracts are most effective when there are clearly defined services set out in a service specification. Taking into account the current array of contracts, end points and the scale of service transformation proposed both within and outside leisure centres, it is unlikely that a comprehensive service specification could be developed at this stage without the need for future variations, as aspects of the service are developing and liable to change.

- 4.16 The degree of strategic control, flexibility and ease of working with stakeholders and system partners are key to the successful transformation of services and were significantly less favourable for the procured model assessment.
- 4.17 Overall a procured model was not recommended for North Yorkshire at this time.

LATC Model

- 4.18 The assessment assumes similar staff terms and conditions (and costs) between the in house service and LATC as Brimhams staff are on similar local authority terms and conditions.
- 4.19 The assessment assumes a higher level of income generation through the LATC model than the in house model arising from more commercial focus, agility and freedom to innovate, although less than a procured operator.
- 4.20 The LATC model benefits from full NDR relief of circa £850k. It has similar VAT benefits as a leisure trust, although not as favourable as for in house operations under the recent Chelmsford ruling whereby the courts found that local authority leisure services were provided under their statutory framework and could be treated as non business activity for VAT purposes.
- 4.21 The non financial assessment is more favourable than a procured operator model and there are similar benefits with the LATC and the in house model in terms of flexibility and working with system partners. However, strategic control is slightly lower with the LATC, reflecting the need for additional governance through the Board structure and a more arms length management approach.

In-house model

- 4.22 The in house model offers the most flexibility and direct strategic control, although is also the model with potentially the highest relative cost. The model assumes that the in house model will generate lower levels of income than the other options. However, it should be noted that the North Yorkshire service is not typical and that given the size of the service and the opportunities to develop both expertise and economies of scale that the impact of this assumption is likely to be less significant than in a smaller services consisting of only a few sites.
- 4.23 There is a difference in relative costs between the in house model and Brimham of just over £1million. These costs relate primarily to the additional costs for the in house model of NDR. The additional costs of this were £850k for 22/23 (although are now higher). However, it should be noted that the Council retain 50% of NDR so the impact of this is significantly reduced.
- 4.24 The other key difference was in the support services costs, being £260k higher for the in house model, although caution is required with this figure as it relates to 22/23 apportioned and not actual costs. Brimhams receive their support services through the Council, so it would reasonably be expected that actual future support costs should be very similar for both the in house and Brimhams models.
- 4.25 The in house model is the most VAT efficient model, following the recent Chelmsford ruling and offers financial benefits over both the LATC and the procured operator model.
- 4.26 Overall the cost/benefits for an in house and LATC model are likely to be similar

- 4.27 In terms of the delivery model Brimham is the most advanced of the providers in terms of the development of the health and well being approach and is undertaking innovative work in workforce development and training to support the pivot to well being. There would be benefits in retaining this expertise and approach – learning from and scaling up this approach, particularly during the transitional period.
- 4.28 However, expertise in wider sports development, place based working and support for a community asset based approach is more developed within the in house model (and the wider locality/stronger communities approach of the Council as a whole). Both approaches are key to the successful delivery of the new model for sport and active well being.
- 4.29 Given the current position within North Yorkshire, the scale of the transformation and that the Leisure Investment Strategy is not yet completed, the management model assessment recommended a phased approach to delivery during the transformation period, streamlining and consolidating from the current 5 operators into a council controlled model.
- 4.30 Taking into account the benefits from both the in house and the Brimham models, the analysis suggests one option could be to consolidate into a dual model, combining the in house service and the Brimhams LATC, with close integration between the two models, with then a further review at this point (2028). There is merit in this approach, but also potential disbenefits in terms of added uncertainty, different approaches, additional complexity and potentially cost in operating a dual model.
- 4.31 A single in house model offer would provide clarity and consistency for customers, a clear link with democratic decision making and strategic control for the Council and overall it is considered there are significant benefits in moving towards a single in house operating model, over a phased period and this is the preferred option taking all factors into account.
- 4.32 It is proposed there is some flexibility about the migration programme to allow for operational factors to be taken into account however, the principle is that the current contracts would be migrated in a phased way to an in house model, as current contracts end between 2024 and 2027. This means Selby sites migrating in September 2024 to the in house service (rather than to Brimhams as previously agreed).
- 4.33 This approach offers a significantly streamlined and simplified operating model than the current arrangements and the phased approach aims to minimise disruption and enables the focus on transforming services to be maintained. However, it has to be recognised that this is a significant amount of management change and will require significant capacity within the service and wider support services to support this, at a time of significant change and transformation across the wider Council.

Phase 2 – Leisure Investment Strategy

- 4.34 The Council undertook asset condition surveys as part of the Strategic Leisure Review. A summary of the asset condition costs is shown in the table below.

| Summary table of estimated costs | Urgent | Year 0-2 | Year 3-5 | Year 6-10 | Year 11-20 | Total |
|--|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Estimated Building Fabric Costs | £191,964 | £849,277 | £908,847 | £2,205,836 | £4,340,885 | £8,496,808 |
| Estimated Mechanical Costs | £194,650 | £799,500 | £610,600 | £1,810,500 | £3,481,650 | £6,896,900 |
| Estimated Electrical Costs | £418,750 | £133,050 | £283,100 | £646,600 | £1,442,740 | £2,924,240 |
| Sub total | £805,364 | £1,781,827 | £1,802,547 | £4,662,936 | £9,265,275 | £18,317,948 |

- 4.35 Given the mixed range, age and quality of the current facilities these costs were considered to be fairly low compared to similar exercises undertaken in other local large authorities.

However, this still represents considerable investment required to maintain the basic fabric of the facilities.

4.36 Linked to this will be the need to build on work that is already in progress to decarbonise the leisure estate, to improve energy efficiency as a key operating cost and to support the Council's wider Net Zero ambitions.

4.37 The Leisure Investment Strategy (LIS) will build on the work already undertaken from the asset condition surveys and will consider further the condition of each site, future role and sustainability as a part of the new delivery model. Sites will be considered within the wider context of community based provision and facilities, school based facilities, privately operated facilities in the area and outdoor spaces.

4.38 The LIS will consider the following in relation to the Council's Leisure portfolio:-

- The optimal balance of investment to achieve the Council's vision for Sport and Active Wellbeing
- Examples of best practice and learning from other areas to help shape the Strategy.
- The geographic distribution of the proposed hub and spoke model and how strategic gaps will be addressed in the medium and long term?
- The phasing of any investment / divestment and how can this be funded?

4.39 The LIS will be undertaken in phases. Phase one will include:

- An assessment of each site in meeting community need now and in the future. This includes taking account of population growth, demographic changes, demand, existing supply
- Assessment of quality and sustainability and investment required to maintain quality services (based on condition survey data)
- Assessment of sites in scope that may not be meeting needs, or at the end of their operational life. Exploration of alternative options e.g. alternative uses, community asset transfer.
- Identification of current gaps in provision.
- Identification of approximately 5/6 sites that require additional investment in order to become Active Well Being hubs and/or areas where there are identified gaps in provision to support active well being.

4.40 Phase two will develop more detailed options in relation to the 5/6 identified sites from phase one including business and implementation plans.

4.41 Phase one is expected to take around 4 months and phase two 6-8 months.

5.0 CONSULTATION UNDERTAKEN AND RESPONSES

5.1 The review has been underpinned by wider engagement with communities and key stakeholders. This has included:

- Visioning workshops – Members and key partners (including Sport England and NY Sport)
- Survey (over 180 responses) and webinar (over 30 participants) targeted at community sports groups, promoted through press and social media.
- Focus groups – young/older people, economically disadvantaged, inclusive sports, elite sports, refugees – 50 participants
- Value for money workshops - Leisure managers/sports development staff
- Wider discussions with HAS, NHS organisations and the Health and Well Being Board

- Review of previous consultations including Lets Talk, Active Lives Survey, Growing up in North Yorkshire and the over 50's survey.

5.2 From the engagement there is a strong consensus around the greater focus on health and well being and this is strongly supported. Key messages emerging which are reflected in the new model included:

- Strong recognition of the important role of community sport and volunteers
- Challenges for rural residents who often struggled to get to leisure centres and clubs and some “felt forgotten”.
- Accessibility – cost and affordability, alongside access to transport were the most frequently identified barriers to access
- Support for digital innovation (but also recognition this is not for everyone)
- Community sports groups welcomed the opportunity to be more involved, to work as key partners and to share expertise and good practice.
- Facilities were highly valued – as a base for community clubs and for all abilities but the condition and opening hours were highlighted by some as areas for improvement
- The social aspect of physical activity was considered important as part of wider well-being and good mental health.
- Communication and awareness of what is available could be improved – this is particularly important for those who are not current users or may need additional support to participate.

5.3 Informal discussion have been held with UNISON about the findings of the Strategic Leisure Review. UNISON are supportive of the increased focus for the delivery model on health and well being and support the recommendation that outsourcing is not the preferred model. UNISON were supportive of a council controlled model but expressed a preference for an in house model overall.

6.0 CONTRIBUTION TO COUNCIL PRIORITIES

6.1 The Strategic Leisure Review is built on the principle that sport, physical activity and opportunities to move more should be accessible to everyone. The new service is an inclusive one which aims to inspire and enable everyone to be more active and address the barriers that prevent people from being as active as they would like. The recommendations from the Review contribute towards a number of Council priorities, specifically:

- **Place and Environment** – Specifically recognising the important of active travel, including walking and cycling. Good quality opportunities for physical activity, within leisure centres and also within green and open spaces is part of what makes North Yorkshire an environmentally sustainable and attractive place to live, work and visit. Leisure Centres are working to improve carbon reduction and energy efficiency and are committed to further improvements to support climate change targets and environmental sustainability. The Review recognises the important role of volunteers and supports a vibrant and strong voluntary and community sector.
- **Economy** – Good quality, accessible sporting facilities are important as part of the wider tourism offer and high profile mass sporting events support the visitor economy and economic growth.
- **Health and Well being** – the recommendations in the Review are central to improving physical and mental health at all life stages.
- **Locality** – the service is decentralised and is delivered through locally based facilities and teams, supporting the principles of locality working. The new approach to delivery is aligned to the principles of stronger communities, supporting and enabling

community based provision and will extend the delivery of more local services through approaches such as outreach.

7.0 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The Strategic Leisure Review has considered a range of delivery options and looked at good practice from a range of other providers, alongside national guidance and strategic frameworks.
- 7.2 The Management model assessment considered a range of options as set out in section 4 above.

8.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

- 8.1 The Strategic Leisure Review has been jointly led by Public Health, with input from key other services including Health and Adult Services and Active Travel.
- 8.2 The costs associated with physical inactivity are well documented, with physical inactivity associated with 1 in 6 deaths in the UK and costs of £7.4billion annually (£0.9billion to the nhs). The new delivery model will support delivery of key public health priorities and there is considerable scope for improving population health through increased participation and a focus on targeted programmes and reducing inactivity.
- 8.3 The opportunities for joint working, potential co-location of services and a focus on preventative health will have a positive overall impact on other organisations.
- 8.4 Strategic property input has been provided throughout the Review and this will continue. Planned maintenance, reactive repair, compliance and capital investment plans relating to assets that transfer to the in house service will be developed and ongoing input provided throughout the development of the Leisure Investment Strategy. The proposed four year phased transition will support work and resource planning for the Property Service to support service transformation.

9.0 FINANCIAL IMPLICATIONS

- 9.1 The financial impact on the Council related to the proposed management model is complex and nuanced. The management options assessment compared relative costs for an in house, outsourced or LATC model based on 22/23 operating costs of the leisure centres as shown in Appendix 1. This was used as a starting point to then undertake further analysis on the likely position for North Yorkshire, taking into account some of the limitations of the theoretical model given the atypical nature of North Yorkshire and the complex starting point.
- 9.2 In addition financial modelling has been undertaken to assess the financial impact on the Council of the preferred option of migrating the existing contracts into a single in house model over the next 4 years. This takes into account key variables relating to NDR costs, VAT treatment, staffing costs and external management fees. The modelling assumes that income and expenditure of sites remains broadly similar, although it would be expected that the service will drive additional efficiencies in the medium to longer term through economies of scale once the service is fully integrated.
- 9.3 However, during the transition period there will be some additional costs for the council arising from the consolidation into a single model. It is also recognised there will be some additional transition costs needed to support such a large transformation. During the transition phase the process of integration and economies of scale will commence, although

it is recognised this is unlikely to see large scale efficiencies until the service is fully integrated and operating in steady state.

| | Fully In-house | | |
|---|-----------------------------|-------------------------------|--------------------------------|
| | 0% Support Cost Absorbed | 50% Support Costs Absorbed | 100% Support Costs Absorbed |
| | £ | £ | £ |
| Irrecoverable VAT | -348,889 | -348,889 | -348,889 |
| Staffing | 504,301 | 504,301 | 504,301 |
| NNDR | 525,682 | 525,682 | 525,682 |
| Estimated Cashable Growth / (Efficiency) | 681,093 | 681,093 | 681,093 |
| External Central Support | 0 | -230,922 | -461,843 |
| Net position taking into account Central Support Costs | 681,093 | 450,172 | 219,250 |

9.4 An initial assessment has been undertaken in relation to the potential impact on the Council's VAT partial exemption status, specifically whether any additional capital investment in leisure sites (to be identified as part of the Leisure Investment Strategy) would impact negatively on the Council's VAT position. The initial assessment suggests that the Council is well below the threshold for a potential breach of VAT partial exemption rules and this is unlikely to be an issue. However, this will be further considered as part of the next phase of the review. In addition the position for revenue activity to impact on the partial exemption is improved through the recent VAT ruling that classifies sports tuition as "non business", this removes further non exempt VAT activity and therefore the leisure service coming in house will have minimal impact on the partial exemption going forwards.

9.5 It is proposed that the Leisure Investment Strategy is undertaken in phases as above. This work will be procured in line with Council policy and procedures. Costs for both phases, including business/implementation plans for individual sites are estimated to be in the region of £100 - £135k for which budget provision has been identified within the original SLR allocation and service budgets.

10.0 LEGAL IMPLICATIONS

10.1 Legal Services input has been provided throughout the process of undertaking the Strategic Leisure Review.

10.2 The undertaking of the Leisure Investment Strategy will be procured in line with Council policy and procedures.

11.0 EQUALITIES IMPLICATIONS

11.1 An Equalities impact screening has been undertaken. The outcome of the Review overall should have a positive impact in terms of the new delivery model, which has a greater focus on health, well being, inclusion and targeted services.

11.2 Engagement with a range of groups has been undertaken to inform the review, including those with protected characteristics.

12.0 CLIMATE CHANGE IMPLICATIONS

- 12.1 A climate change screening has been completed. The proposal to review the leisure provision across North Yorkshire does not warrant a full CCIA to be undertaken at this stage. The review itself will have a negligible impact on climate change.
- 12.2 The leisure estate does have an impact on a number of the environmental factors above, namely: greenhouse gases, waste, water use, and pollution and the service is actively looking to mitigate these factors with low carbon plans and capital investment in solar panels and ASHPs.
- 12.3 The Leisure Investment Strategy will make recommendations relating to individual sites and consideration of climate change impacts and further assessments will be part of this stage.

13.0 PERFORMANCE IMPLICATIONS

- 13.1 The new service model aims to improve outcomes and efficiency, with increased participation, especially amongst groups that experience barriers to participation. As part of the integration of services a new suite of performance measures that demonstrate the impact of the service, and a consistent method of recording and reporting on these is being developed. In the short term, however, particularly as services transfer and given the scale of the change, there may be some short term dips in performance or service quality.

14.0 POLICY IMPLICATIONS

- 14.1 No direct implications. The review sets out a new delivery and operating model for the service and supports delivery of wider Council priorities.

15.0 RISK MANAGEMENT IMPLICATIONS

- 15.1 This is a large programme of transformation and there is a risk that performance and levels of service decrease in the short term. The phased approach and the identification of the wider support required aim to mitigate these risks.
- 15.2 The Leisure Investment Strategy is important to identify a programme of investment in leisure assets, which vary considerably in terms of their facilities and quality. The asset condition surveys undertaken identified in excess of £9m of works required in the next 10 years, and over £2.5million in the next 2 years. In addition there is a need to consider the wider issues of whether facilities are meeting anticipated needs and demand and supporting the delivery of the new service model for sport and active well being. Without investment there is a risk that facilities will deteriorate, with potentially unsustainable day to day maintenance costs and reducing income as facilities reduce in quality and attractiveness to customers.

16.0 HUMAN RESOURCES IMPLICATIONS

- 16.1 There will be a need for HR resources to support the transfer of staff and services in house, specifically to support TUPE transfer of staff.

17.0 ICT IMPLICATIONS

- 17.1 There will be a need for significant ICT resources during the transition phase to support the transfer of services in house and to ensure the effective integration of IT and specialist leisure management systems.

18.0 COMMUNITY SAFETY IMPLICATIONS

- 18.1 No direct implications, although leisure centres provide positive activities for people at all stages of life. Some sites are delivering specific programmes targeted at young people who may be engaged in anti-social behaviour or within the criminal justice system.

19.0 CONCLUSIONS

- 19.1 The Strategic leisure Review provides an exciting opportunity to transform the delivery of “leisure Services”. It puts us at the forefront of a national movement to transform services with a renewed focus on physical and mental health and wider well being.
- 19.2 The new delivery model is bespoke for North Yorkshire, it aims to transform our leisure centres into sport and active well being hubs and promotes a strong integration between the physical facilities, sports development and place based delivery. The new approach will enable delivery of locally based services, with a mix of universal and targeted provision. There will be particular emphasis on the needs of groups who may face particular barriers to participation.
- 19.3 There are particular opportunities in greater partnership with NHS and social care organisations as a partner in prevention, recognising the value of increased physical activity in reducing demand and wider system pressure.
- 19.4 It is recommended that the management of the service is consolidated, over a phased period into a single in house model. The principle is that contracts will migrate in house at their natural end point, however, with some operational flexibility on the exact timing to take account of operational, capacity and other considerations that may arise in a programme of this scale. In line with this it is recommended that the Selby sites migrate from IHL in September 2024 to the in house service and not Brimhams as was previously agreed. This will reduce disruption, duplication of effort and the need to move the Selby sites twice in a relatively short space of time.
- 19.5 North Yorkshire currently has a complex mix of leisure providers. Whilst this adds complexity, the breadth of expertise, experience and good practice across the County is a real strength. Providers across the County are already delivering a range of universal and targeted services that are in line with the new delivery model, there is a strong focus on inclusion and tackling inequality and this forms a strong basis upon which we can build in the coming years.
- 19.6 The Brimhams model is particularly advanced in terms of its health and well being approach and workforce development and the intention is to scale up and adapt the approach more widely. Whilst there is a desire to streamline the current position into a single operating model, this is no reflection on the current provision or providers who deliver much valued and high quality services across the County.
- 19.7 The next phase of the Strategic Leisure Review is the undertaking of a Leisure Investment Strategy (LIS). This will build on the work already undertaken from the asset condition surveys and will consider further the condition of each site, future role and sustainability as a part of the new delivery model. This will be undertaken in phases and will include an assessment of the current sites, with recommendations for 5/6 sites that require additional investment in order to become Active Well Being hubs and/or areas where there are identified gaps in provision to support active well being. Phase two will develop more detailed options

in relation to the 5/6 identified sites from phase one including business and implementation plans. Funding for the LIS can be accommodated within existing budgets.

20.0 REASONS FOR RECOMMENDATIONS

20.1 To provide a clear way forward for the leisure service in North Yorkshire and to identify a clear model for service delivery and the future management of the service.

21.0 RECOMMENDATION(S)

i) That Members support the new delivery model for the sport and active well being service as set out in section 4 above.

ii) That Members support the phased transition over the next 4 years to a single in house management model for the service. As part of this that the Selby services transfer to the in house service from September 2024 when the current contract with IHL ends.

iii) That Members support the undertaking of a Leisure Investment Strategy as set out above.

Appendix One

Financial and Non Financial Assessment

BACKGROUND DOCUMENTS:

Strategic Leisure Review: Management Options Appraisal (confidential)

Strategic Leisure Review: Executive Summary Report (confidential)

Nic Harne, Corporate Director (Community Development)

County Hall, Northallerton

20/11/23

Report Author – Jo Ireland, Assistant Director (Culture, Leisure, Archives and Libraries)

Report presenter – Jo Ireland

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.







PLEASE ALSO NOTE THAT IF ANY REPORTS / APPENDICES INCLUDE SIGNATURES THESE MUST BE REMOVED / DELETED PRIOR TO SENDING REPORTS / APPENDICES TO DEMOCRATIC SERVICES. Appendices should include an Equality Impact Assessment and a Climate Impact Assessment where appropriate













Appendix One

| | Baseline 2022/23 | In-house | LATC (Brimhams Active) | Procured Operator |
|--------------------------------|---------------------|--------------------|---------------------------|----------------------|
| Income | | | | |
| Baseline income | £15,175,833 | £15,175,833 | £15,175,833 | £15,175,833 |
| Income adjustment | £0 | -£289,192 | £263,533 | £430,020 |
| Income savings on VAT | £0 | £631,536 | £767,437 | £782,338 |
| Total income | £15,175,833 | £15,518,177 | £16,206,803 | £16,388,192 |
| Expenditure | | | | |
| Baseline expenditure | £6,442,157 | £6,269,999 | £6,286,650 | £6,020,244 |
| NNDR | £205,141 | £850,230 | £0 | £0 |
| Total staffing costs | £10,998,876 | £11,503,176 | £11,503,176 | £10,384,085 |
| Irrecoverable VAT | £417,021 | £0 | £740,143 | £791,929 |
| Operational expenditure | £18,063,194 | £18,623,405 | £18,529,969 | £17,196,258 |
| Management costs | £3,078,177 | £2,327,727 | £2,025,850 | £1,311,055 |
| Net surplus/deficit | -£5,965,538 | -£5,432,954 | -£4,349,017 | -£2,119,121 |

Note on VAT treatment: Income savings on VAT relate to application of Chelmsford ruling (in-house) or VAT exemption on income (LATC and procured operator) where income has previously been taxable under an in-house operation. This is higher for LATC and procured operator due to the higher levels of income generation. For a LATC and procured operator, a corresponding irrecoverable VAT cost is included in expenditure (for VAT paid on expenditure which relates to exempt income). For in-house the income is treated as non-business so all VAT on expenditure is recoverable.

Non Financial Assessment

| Criteria | In-House | LATC (Brimhams Active) | Procured Operator |
|--|---|---|---|
| The degree to which the management model allows the Council to retain strategic control of services. |  |  |  |
| The degree to which the management model enables the Council to implement a leisure facilities investment strategy. To include decarbonisation towards Net Zero. This could involve investment and |  |  |  |

| Criteria | In-House | LATC (Brimhams Active) | Procured Operator |
|---|--|--|--|
| de-commissioning / asset transfers of facilities | | | |
| The degree to which the management model will provide flexibility for NYC to undertake service transformation from leisure to sport and active wellbeing. |  |  |  |
| The degree to which the management model will be best placed to work with stakeholders and system partners. To co-produce and provide more integrated and targeted active wellbeing services. |  |  |  |
| The degree to which the management model will contribute to overall social value. This includes contributing towards improving local health outcomes, reducing the burden on the NHS, local employment and use of the local supply chain. |  |  |  |
| The degree to which the management model will be able deliver targeted and evidence-based interventions in place. This may be unique to particular localities within the County or to particular target groups. |  |  |  |