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Cabinet

19<sup>th</sup> July 2011

**Name of Cabinet Member:**

Cabinet Member (Community Safety and Equalities) – Councillor Townshend

**Director Approving Submission of the report:**

Director of City Services and Development

**Ward(s) affected:**

All

**Title:**

Public Sports and Leisure Provision

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**Is this a key decision?**

Yes. The potential financial implications for the City Council of the recommendations may exceed £500,000 in the first year of transition, in order to achieve on-going efficiencies and cost savings.

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**Executive Summary:**

Authority is sought to proceed in dialogue with Coventry Sports Trust (the Trust) and Coventry Sports Foundation (the Foundation) concerning a review of public sports, fitness and leisure provision across Trust and Foundation operated sites. The purpose of the review is to propose services, facility and organisational structures to drive greater efficiency and cost savings, linked to the development of a wider partnership Sports Vision and Strategy for the City.

Authority is further sought to ensure the operations of the Trust remain viable through protected cash flow for a defined period, to enable a focused period of collaborative scoping between the Trust and Foundation, and that key proposals to reduce cost (including the Trust's recommended closure of the Arena Health and Fitness Club) are considered expediently.

**Recommendations:**

Cabinet are requested to approve:

1. Collaborative work with Coventry Sports Foundation and Coventry Sports Trust to identify a new vision for public sports and leisure provision in the City. This will contribute to the development of a new partnership Sports Vision and Strategy for the City.
2. A Cabinet Member Advisory Panel be established to assist in developing the Sports Vision and Strategy for the City, the terms of reference and membership to be agreed at the earliest available meeting of the Cabinet Member (Community Safety and Equalities) who will act as Chair.

3. The provision of cash flow support to Coventry Sports Trust until a new level of provision can be agreed and implemented, to be funded from existing grant "claw-back".
4. The delegation of authority to the Director of City Services and Development and the Assistant Director of Financial Management in consultation with the Cabinet Member (Community Safety and Equalities) and the Leader of the Council to: (a) vary the existing grant agreement with the Trust and Foundation to secure greater efficiency and cost savings in public sports and leisure provision and (b) to permit the Trust to close the Arena Health and Fitness Club.
5. The financial arrangements for the ending of the current lease agreement for the Arena Health and Fitness Club facilities at the Ricoh Arena with Arena Coventry Limited, including the buy out of long term liabilities, to be met through subsequent cost reductions.
6. The reduction in grant to the Coventry Sports Trust by an amount equivalent to that estimated by the City Council to be saved should the Ricoh Arena facility be closed following the consultation. These resources will be earmarked for the purpose of resourcing: (a) any Trust cashflow requirement and/or (b) the implementation of the emerging model of sports provision in the city.
7. The use of the City Council's earmarked reserve for early and voluntary retirement to fund staff reductions at the Arena Health and Fitness Club or in other areas of the Trust's activities. This will be achieved by a variation to the Grant Aid Agreement.

**List of Appendices included:**

None.

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

## **Report title: Review of Public Sports and Leisure Provision**

### **1. Context (or background)**

#### Sports Vision and Strategy

- 1.1 A wide range of partners within the sports sector in Coventry (including representatives from community sport, education, strategic sports management and elite sports clubs) have actively indicated their support for developing a city-wide, partnership sports Vision and Strategy for the City. It is anticipated that the Strategy, as formal successor to the 'Draft Sports Strategy 2004-10', would deliver a renewed sports vision for the City, resulting in a new facility strategy, playing pitch strategy and aquatic strategy, developed in line with industry methodologies.

#### Public Sports and Leisure Provision

- 1.2 The majority of public sports and leisure centres in Coventry are managed by the Coventry Sports Trust (the Trust) and Coventry Sports Foundation (the Foundation).

#### The Trust

- 1.3 The Trust manages the following facilities, which hosted 1,341,973 participant visits in 2010/11 :
- Arena Health and Fitness Club (AHFC)
  - Brandon Wood Golf Course (BWGC)
  - Coventry Sports and Leisure Centre (CSLC)
  - Foleshill Sports and Leisure Centre (FSLC)
  - Foxford Leisure Centre (FLC)
  - Moat House Leisure and Neighbourhood Centre (MHLNC)
  - Tile Hill Wood Leisure Centre (THWLC)
- 1.4 The Trust receives grant from the City Council for the management of public leisure facilities, under an Agreement renewed from April 2009 and running to 31 October 2016. "Claw-back" is deducted from the grant to reflect the fluctuation in energy prices. .
- 1.5 The Arena Health and Fitness Club facility hosted 72,768 participant visits in 2010/11 and had 1,296 members.
- 1.6 The grant aid "bid" by the Trust was prepared in 2008. Since this date economic conditions have made the financial position of the Trust more difficult. Whilst the last Trust audited accounts (for 2009/10) were signed off by the auditors, the audit statement indicated that there was a material uncertainty about the company's ability to continue as a going concern.

#### The Foundation

- 1.7 The Foundation has managed a number of facilities across the city through periods of development, including the Alan Higgs Centre, AT7 and the Xcel Centre. These facilities hosted 1,359,685 participant visits in 2010/11.
- 1.8 The Foundation receives grant funding for 2011/12 from the Council for the management of public leisure facilities, under an Agreement renewed from 2009 and running to 2014.

## Collaboration Between the Trust and Foundation

- 1.9 On 1 June 2011, the Trust and Foundation announced their intention to work closely to investigate various aspects of facility operation, in order deliver sport and recreation in the most efficient and productive way. The organisations will be looking into various aspects of their facility operations and will report on their findings at the end of August 2011. This work is being led by Paul Breed, the Chief Executive of the Coventry Sports Foundation.

## **2. Continuity of Sports Services within the City**

- 2.1 The City Council is advised that without cashflow support, the Trust will struggle to continue to operate as a going concern. The immediate alternative approaches are:-

- a) Provide no additional financial support to the Trust and allow it to fail –This would result in disruption to sports services, with the potential for site closures, prior to any engagement of a new operator. If services were to be returned to the city council, even as a temporary arrangement, the City Council would have to meet a number of costs, including National Non Domestic Rates (NNDR), and rental liabilities for the Arena Health Facility. In addition, responsibility for all building maintenance costs would rest with the City Council.
- b) Support the Trust's cashflow position through the period of collaborative working – This would ensure that the service disruption and costs associated with the failure of the Trust would be avoided, through the period of collaborative scoping. In order for the Trust's accounts to be signed off cashflow support would need to be provided until 12 months from the completion of the Trust's financial statements.

- 2.2 Approach b) is the recommended way forward.

- 2.3 In order to finance any cashflow support, and also to support the development of sports facilities under the collaborative arrangements, it is proposed that the following resources are earmarked for these purposes: (a) sums "clawed back" from the Trust in respect of energy prices and (b) any reduction in grant paid to the Trust, through the closure of facilities or reduction in costs within the Trust.

- 2.4 The provision of cashflow support by the City Council will be conditional on the receipt of the assurances from the Trust, as evidenced by detailed monitoring of management accounts. City Council officers will work with the Trust to ensure that the Trustees can discharge their legal responsibilities as Directors, with the aim that no legitimate creditors of the Trust are left unpaid. It is proposed that the payment of cash-flow support is delegated to the Director (Finance and Legal Services) or his nominee, based on an assessment of the Trust's financial position

- 2.5 The City Council received the Trust's recommendation to close the Arena Health and Fitness Club. It is proposed that the Council delegate authority to the Director of City Services and Development and the Assistant Director of Financial Management in consultation with the Cabinet Member (Community Safety and Equalities) and the Leader of the Council to consider closure of the facility and to enter into dialogue concerning its closure. It is proposed that staff severance costs resulting from the closure of the Arena Health and Fitness Club, together with any staffing reductions in other areas of the Trust, would met from the existing City Council reserve for early retirement and voluntary redundancy. The City Council would make available extra one off grant to the Trust to meet such costs.

- 2.6 The closure of the Arena Health and Fitness Club would require the unwinding of property arrangements. The facility is occupied by the Trust at a cost reflecting rent and service

charges to Arena Coventry Ltd. Heads of Terms were signed indicating the City Council's intention to underwrite the rent payment to 2026. The property has been occupied in line with these terms, allowing the Club to operate since 2006. It is proposed that on vacation of the Arena Health and Fitness Club, the arrangement is bought out. Grant will be reduced by the amount of savings identified through closure or efficiencies.

- 2.7 In addition, the Council agreed to pay costs in respect of the fitting out of the Arena concourse. It is proposed that the remaining commitment is bought out for a one off sum.
- 2.8 The anticipated combined buy out cost can be financed through the use of capital receipts, to be reimbursed over a number of years.

### **3. Results of consultation undertaken**

- 3.1 Internal consultation to date has taken the form of briefings to the Chief Executive, the Directorate Senior Management Team and the Director of Finance and Legal Services, and through Members' briefings to the Leader, Deputy Leader and Cabinet Member (Community Safety and Equalities).
- 3.2 Consultation on the period of collaborative scoping has taken place to date with the above officers and Members and the Boards and Chief Executives of both the Trust and Foundation. Agreement to enter collaborative scoping was determined by the Boards of the Trust and Foundation.
- 3.3 The proposed governance structure is that both organisations (the Trust and Foundation) will report to the Director of City Services and Development and the Director of Finance and Legal Services, by 30 September 2011, on the findings of collaborative scoping.
- 3.4 Following the Trust's recommendation to close the Arena Health and Fitness Club, staff consultation concerning closure of the facility will be entered into by the Trust, in close consultation with City Council officers in line with the provisions of the Grant Agreement.

#### **4. Timetable for implementing this decision**

- 4.1 Joint Foundation and Trust collaboration work to assess ways of taking forward sport and recreation in the most efficient way is due to be completed by the end of August 2011.

#### **5. Comments from Director of Finance and Legal Services**

##### **5.1 Financial implications**

The detailed financial implications are set out above in Section 2. The proposals in the report do not represent an intention by the City Council to cut spending on sport. They reflect an attempt to ensure the current level of resources is used to maximum effect.

##### **5.2 Legal implications**

- 5.21 The Trust receives grant funding from the Council for the management of public leisure facilities, under a grant agreement renewed from April 2009 and running to 31 October 2016 under the local Government (Miscellaneous Provisions) Act 1976 and the well being powers under the Local Government Act 2000.

- 5.2.2 The Foundation receives grant funding from the Council for the management of public leisure facilities under a grant agreement renewed from 2009 and running to 2014 under the local Government (Miscellaneous Provisions) Act 1976 and the well being powers under the Local Government Act 2000.

- 5.2.3 Heads of Terms were signed by the Trust the Council and Arena Coventry Limited as the landlord indicating the City Council's intention to support the Arena Health and Fitness Club facility arrangement to 2026. In addition, the Council agreed to pay costs to ACL in respect of the fitting out of the Arena concourse.

#### **6. Other implications**

##### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

- 6.1.1 The spending cuts facing the Council mean that difficult decisions have to be made in order to achieve the priorities of protecting frontline services and supporting our most vulnerable residents. Public leisure provision contributes to the health and wellbeing of the residents of Coventry, as well as the cultural offer and vibrancy of the City. Ensuring consistency in leisure provision during a period of collaborative scoping between the two largest leisure providers in the City supports the Council's objectives to deliver quality, accessible services whilst striving to secure greater efficiency and cost savings in public sports and leisure provision.

##### **6.2 How is risk being managed?**

- 6.2.1 A project risk log has been developed and will be maintained on the corporate system. It will be managed by the Service Manager Sports and Arts and reviewed at regular intervals by the Director of City Services and Development and the Assistant Director of Financial Management .

### **6.3 What is the impact on the organisation?**

6.3.1 Further review will be required as to the specific impact on the organisation. This will be confirmed through the period of collaborative scoping undertaken by the Trust and Foundation and the review of leisure provision at the Arena Health and Fitness Club. It is, however, anticipated that greater efficiency and cost savings in public sports and leisure provision may be delivered through closer working arrangements between the Trust and Foundation. The potential closure of the Arena Health and Fitness Club may impact on public participation in leisure, though initial analysis suggests there is sufficient capacity at other facilities in relatively close proximity to accommodate a transfer of members.

### **6.4 Equalities / EIA**

6.4.1 An equality impact assessment on collaborative scoping has not been undertaken as there is no anticipated impact on service levels or users. A review of equalities considerations is, however, included within the review of leisure provision at the Arena Health and Fitness Club.

### **6.5 Implications for (or impact on) the environment**

6.5.1 None.

### **6.6 Implications for partner organisations?**

6.6.1 Public leisure provision will continue through the Trust and Foundation through the period of collaborative scoping, from which a report containing specific recommendations will be provided to the Council.

6.6.2 The review of leisure provision at the Arena Health and Fitness Club will need to consider the impact on the Trust and wider organisations that utilise the facility. As the facility provides only gym and health suite facilities, the review is not anticipated to carry implications for a wide range of partner organisations.

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