

**TITLE OF REPORT:**           **Review of Leisure Services – Final Report**

**REPORT OF:**               **Alice Wiseman, Director of Public Health**

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## **SUMMARY**

This report explains the reasons why Cabinet took a decision to close two leisure facilities in July 2023. It will cover the rationale for review, process, key challenges/ themes, and potential recommendations.

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## **Background**

The Corporate Resources Overview and Scrutiny Committee, at its meeting on 12 June 2023 requested a review of Leisure Services to be included within the 2023/24 work programme. The review was carried out over a 4 month period and this final report has been prepared on behalf of the Committee setting out the main findings / conclusions and emerging recommendations.

## **Report structure**

1. The final report is attached at Appendix 1. It covers the following key areas:
  - Policy context and rationale for review
  - Aims of the review
  - How the review was carried out - methodology
  - Analysis of evidence – issues / challenges emerging from review
  - Emerging Recommendations
  
2. At it's meeting on 27 November 2023, the Committee considered an interim report and requested that an additional recommendation be included within the report for the Council to keep under review the employment conditions of employees engaged to deliver traded services. This has been added as Recommendation 9 in the report at Appendix 1.

## **Recommendations**

3. Corporate Resources Overview and Scrutiny Committee is requested to:
  - (i) Consider and comment on the information provided in the report, the findings and the recommendations.
  - (ii) Agree the final report be presented to Cabinet for consideration.

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# OSC REVIEW OF LEISURE SERVICES – FINAL REPORT

## 1. Policy context and rationale for review

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- 1.1 For many years the Council has tried to reduce its funding of leisure services by implementing a range of initiatives to either increase income or reduce expenditure, however a significant amount of council funding has continued to be required as set out in various reports considered by Cabinet since 2015/16, and as part of the review. The full list of Cabinet reports was provided to the Committee.
- 1.2 On 25 October 2022 Cabinet considered a report advising that the existing delivery model for Leisure Services was no longer affordable and that the service was continuing to significantly overspend its allocated budget provision. Cabinet agreed to procure an external delivery partner to manage the service in the future, and to explore the rationalisation of leisure centres.
- 1.3 Further work was undertaken to identify which centres should remain open and which should be considered for closure. As part of this work a public consultation process took place which was extended, and on 20 June 2023, Cabinet agreed to close Gateshead Leisure Centre and Birtley Swimming Centre on 31st March 2023, and continue discussions with organisations that had expressed an interest in exploring community asset transfers.
- 1.4 The decision to close the 2 facilities was driven by the ongoing subsidy that was required to fund Leisure Services at a time when the Council's funding gap was increasing due to ongoing reduction of funding from Central Government, increased demand for statutory services, and rising service delivery costs. The relatively consistent subsidy of between £3m and £4m was no longer available.

## 2. Aims of the review

- 2.1 Corporate Resources Overview and Scrutiny Committee were keen to fully understand the reasons why Cabinet had been asked to close the 2 leisure centres, and to learn lessons from past experience in order to inform the procurement process and also ensure that the groups proposing to undertake the Community Asset Transfers benefitted from the Councils experience.

## 3. How the review was carried out – methodology

- 3.1 The Evidence Gathering Session was structured below:
  - a. Introduction by Alice Wiseman, Director of Public Health
  - b. Presentation from David Evans from Mansfield District Council via TEAMS
  - c. PowerPoint presentation by Lindsay Murray, Michael Lamb, John Shiel and Andrea Tickner explaining:
    - i. The strategy for the provision of Leisure Services, it's implementation and outcomes.

- ii. The financial information since 2015, highlighting what impact the Strategy had in terms of financial performance.
  - iii. How COVID impacted the service, and how it responded.
  - iv. Other issues taken into account led to the recommendation to Cabinet.
  - v. Initial thoughts from officers on lessons learned.
- d. Dave Cove, Director from FMG presented a summary of the work they undertook in Gateshead, benchmarking outcomes and their findings via TEAMS.
- e. Matthew Grant from Birtley Aquatics talked about working towards the Community Asset Transfer of Birtley Swimming Centre.
- f. Robert Waugh from Gateshead Active talked about working towards the Community Asset Transfer of Gateshead Leisure Centre.

#### **4. Analysis of evidence – issues / challenges emerging from review**

- 4.1 Alice Wiseman described the high-level financial pressures that the council is facing and highlighted that the Council are not alone in facing significant budgetary challenges, particularly in the delivery of non-statutory services such as sports and leisure. She highlighted that the Council made decisions to use the Leisure employees as part of the response to Covid and that prevented the Leisure Centres from opening as soon as other leisure provision elsewhere in the country, and she confirmed that this was the right decision at that time.
- 4.2 Alice set out the agenda for the session and the Committee was informed of many leisure centres and in particular pools that are having to close as set out in recent Sports England and Swim England publications.
5. Presentation from David Evans from Mansfield District Council
- 5.1 David Evans presented to the Committee via Teams and his key messages included:
- Mansfield Council are similar to Gateshead in that they very rarely outsource services.
  - Significant savings were achieved of £1m when they outsourced the service initially in 2012 (prior to that the services were delivered in house).
  - As the contract was coming to an end Mansfield Council considered the options of procuring a new contract, bringing the contract back in house or negotiating with the existing operator, Serco, and they decided to re-tender for a new contract.
  - Mansfield now operate 3 centres and transferred one to a Community Interest Company. They are building a new centre currently.

- Their initial contract was focused on delivering a good sport and leisure offer, but the second contract focuses on Health and Wellbeing outcomes, as the market has significantly moved on. The new contract is more inclusive and enables open engagement with partners.
- The second contract made further savings and by year 4, the Council are confident that they will receive income from the operator.
- Mansfield estimate that they have saved between £7m and £8m over the 10 year life of the first contract and they are in the fortunate position of being able to open a new facility in the Summer of 2024 which the operator will also manage.
- Feedback from service users is much better than it was when the Council operated the service as the Operator has the flexibility to better meet local needs and respond and adapt more quickly to changing circumstances and this has significantly improved the customer experience.
- A large number of employees were transferred to and have been retained by the operator and employees have been provided with additional opportunities that would not have been available via the Council's employment.
- Over time, the provider has become a trusted partner of the Council and it is recognised that they have extensive market knowledge and expertise which coupled with their industry contacts makes them an excellent operator and enables a greater transfer of risk enabling the Council to spend time and energy on other things.
- Their client role is undertaken by a Health and Wellbeing Manager who has a good background in the leisure industry, and Mansfield Council found this experience to be crucial in developing a strong relationship with the contractor whilst enabling a degree of healthy and informed challenge.

5.2 A number of questions were asked by the Committee:

*Q1. Did the cost to customers change?*

5.3 David replied that he thought not, although it was difficult to remember whether they received a price increase early in the contract, however the Council closely managed this element of the contract and retained a level of control through an approval process. If there were any price increases in the first few years they were minimal and based on inflation rather than being hiked.

11 years later in the new contract Mansfield Council had foregone the tighter controls, and they trust the operator to pitch the pricing at appropriate levels based on their knowledge and competition within the market.

*Q2 You have 4 centres, how many of them had swimming pools?*

5.4 David replied that two centres had pools, the one that had transferred to the Community Interest Company did not have a pool and the new centre that is opening in 2024 will have a pool.

*Q3. You said that Serco had improved the Health and Wellbeing outcomes, can you elaborate on this?*

5.5 David replied that initially, health and wellbeing outcomes were difficult to measure because they emerge over a long period of time and only operational and quantitative KPI's were measured e.g. how many people attended each activity. Mansfield Council recognised that outcomes are hard to quantify therefore they developed quantifiable case studies with people who had been subject to GP referrals and made videos and documented how physical and mental health had improved due to exercise. They are now happy to take testimonies and case studies as evidence that outcomes have improved. David said that it is very difficult to measure outcomes and they have got to be monitored differently, not just based on KPI's,

*Q4 What was the biggest cost saving?*

5.6 David replied that operational costs including energy had reduced together with staffing costs as the operator employed less people both in the centres and within the back office. Mansfield Council had employed around 200 staff at the point of transfer to the operator, and the operator now employs about 100 staff. The operator also has a greater understanding of the market and sector in which they operate and had greatly increased income. Where costs have had to increase income has also increased and the operator knows better than the Council how to increase income through greater participation. Classes now sell out and have waiting lists. There is significant marketing put into the service and there are a range of various membership options which is also driving income. The Council operated in a very transactional way but the operator has provided some investment into the facilities including a 4G pitch which brings in additional income and enables them to compete with the market and increase market share by taking business from other gyms in the area.

*Q5. It is clear that there is additional Capital Investment required at Gateshead. Was that the case in Mansfield and who is responsible for Building Maintenance for example if a new roof was required?*

5.7 David confirmed that the Council retained the risk of maintaining some of the big stuff e.g. if a centre requires a new roof, the Council would be responsible. Conditional surveys were carried out to determine what needed to be done and the allocation of maintenance is shared, but with the Council retaining some of the more expensive areas. David confirmed that they sought a shadow bid from the operators during the tender process to determine what was the most economical way forward and they identified that a hybrid model towards building maintenance was the best solution. He believed that most Councils operate in a similar way. David also suggested that sometimes the operator would offer to undertake some elements of building maintenance and the Council would pay the operator to undertake the work as this was the best option. He believed that they got more from the operator than what is outlined in the contract based on their relationship.

*Q6. Have the fees gone up since the start of the contract?*

5.8 David responded that price increases in line with inflation had been applied and nothing more. Sometimes the operator might ask for more, however they have to produce a business case to demonstrate how income would increase or a positive outcome would be achieved, but the Council would only go ahead with an increase in fees if there was a demonstrable business case. Mansfield are performing exceptionally well since Covid, and income is back to pre-Covid levels and volumes of casual swimming has increased to deliver £1m in income which was significantly more than the operator forecasted within their tender submission. Mansfield have a similar level of deprivation to Gateshead and Covid has not had a significant impact there and David suggested that Mansfield had a bit of a success story since Covid due to good cost controls of the operator. They have now managed to tap into what was a previously untapped market with people using services that they were previously not using.

*Q7. How did you get into the untapped market?*

5.9 David replied that the level of physical activity has increased within the Borough both within facilities and outside facilities. They have had a slight increase in population, but they can demonstrate that their population is more active than it used to be. This is down to the experience of the operator. There is also an element of taking market share from other operators (e.g. private gyms) in the area.

*Q8. What made Mansfield take this course of action, what was the catalyst?*

5.10 David confirmed that their main driver was financial. They looked at neighbouring councils and saw that they were getting better services for less money and they decided that they needed to take a different course of action. They knew that they could make significant savings and they got to a point where they did not feel as though the service was performing as well as it could, and it was not providing what people needed due to a range of competing demands. They did not feel that the Council was best suited to delivering Leisure Services and working with an operator enabled them to transfer risks that the operator was best placed to manage to enable the Council to focus on other things. The decision was financially driven, and Mansfield wanted to deliver better services based on what they saw happening locally.

6. PowerPoint presentation by Lindsay Murray, Michael Lamb, John Shiel and Andrea Tickner

6.1 Lindsay opened the presentation by informing the Committee that Cabinet received a report on 24 February 2015 highlighting potential budget savings through a new strategy that redefined the Council's vision, values, and commercial strategy. She went on to present that in December 2015 the leisure service would be: *"sustainable, and customer focused to ensure healthy, active Gateshead communities and would deliver the Council's priorities of Live Well Gateshead and Live Love Gateshead."*

*A service which integrates and connects to broader services and cultural offers so that residents can participate in a range of services for their wellbeing and leisure.*

*A service which is driven by business and financial objectives, as well as customer satisfaction, retention and growth and maximises the use of its assets – buildings, employees, ICT and partners - to serve Gateshead residents and beyond.*

*A service which in the period of the Council Plan (2020) is no longer directly subsidised by Gateshead Council and is returning income to the Council to invest in Gateshead priorities”*

- 6.2 Working with a leisure consultant, Knight, Kavanagh and Page (KKP), a more commercial strategy was developed including:
- A new, more commercial vision.
  - A review of the commercial/charging policy.
  - The development and implementation of a “Business Development Function” to focus on increasing income.
  - A new activity programme.
  - Greater customer focus that was central to the new strategy.
- 6.3 Lindsay went on to explain that Cabinet approved the rebranding of the service to Go Gateshead Sport and Leisure on 11 October 2016, and the rebranding included:
- A new membership scheme.
  - Introduction of a new pricing structure.
  - Reinvestment of some of the savings into increased marketing and communication activities and roles.
  - A range of digital marketing and website improvements.
- 6.4 Lindsay also advised of a new workforce strategy based on:
- Improved staff engagement.
  - New approach to recruitment (right skills and expertise).
  - Improved training and development of employees.
  - Revised pay and rewards scheme.
  - Cultural changes.
- 6.5 Lindsay also described the greater customer focus which included:
- Feedback cards.
  - Mystery shopper.
  - Annual customer survey.
  - Introduction of customer forums.
  - Customer service champions.
  - Customer service training.
- 6.6 The new commercial strategy was designed to increase income to the service through:
- Sales approach.
  - Go membership (increase and retain).
  - Clip N Climb.
  - Go Bears Den.

- Aquatics.
  - 3 G Pitches.
- 6.7 Lindsay highlighted that although the income increased as planned, the costs also increased and therefore the base budget required (i.e. subsidy) remained about the same at £3m each year.
7. Michael then presented about the position just before Covid:
- A huge amount of work had been undertaken to improve leisure services but despite this the subsidy had remained the same.
  - The new management arrangements within Public Health and Wellbeing had barely had time to bed in when the COVID lockdown began on 23 March 2020.
  - This was quickly followed by a greater focus on Revenue Savings as the Council's budget gap was increasing and a savings target of 20% (£600k was set for the service to deliver in the Budget 2021/22 – Revenue Savings Proposals agreed by Cabinet on 19 January 2021.
  - In September 2021, the Council recruited FMG Consulting to provide independent expert advice on proposed changes to the way the service was delivered using a Sport England's Strategy Outcomes Planning Guidance tool that was funded by Sport England.
- 7.1 Michael went on to explain that the impacts of Covid were significant to the Leisure Service. When the Government announced that the lockdown was over, Gateshead had one of the highest number of cases in the UK. Leisure Service employees had been redeployed during Covid in a myriad of different ways including manning the test and trace centres, supporting community hubs to transport food to people who needed it, acting as Covid marshalls and a number of employees were furloughed. Most of the Covid response work was required for several weeks following the end of the lockdown period and there were insufficient employees available to safely open the Leisure Centres.
- 7.2 Other commercial gyms within the Borough opened immediately, however Gateshead leisure sites did not open for a couple of months. There was a slower than average return to Gateshead leisure centres to pre-Covid numbers for most activities as people were afraid to gather, particularly the older Gateshead leisure customers.
- 7.3 Michael went on to explain that when the centres were able to re-open, there was a shortage of leisure employees available to staff the leisure centres. This was reflected across the County where there was a shortage of key roles including pool attendants and lifeguards.
- 7.4 In addition, a number of staff had to self-isolate due to contracting COVID leading to further shortages of staff. Some employees found alternative employment both within the council and with other employers. Recruiting new employees was difficult as many were afraid to work in a public setting due to the relatively unknown risks of COVID.



7.5 An additional pressure that applied to Gateshead Council was that the review of Leisure Services restricted the service from offering permanent employment contracts and this led to shortages of key roles as potential employees sought permanent employment elsewhere. This situation continued throughout the review period and led to temporary facility closures, reduced opening hours, reduced activity programmes and the postponing of all marketing of the service.

8. John presented the overall Council financial context highlighting:

- £191.6m removed from budgets since 2010
- Challenging Medium Term Financial Position requiring significant use of reserves to enable planned savings.
- Significant increasing cost pressures relating to increases in demand, inflation, utilities and pay. Reducing government support. Reliance on council tax and business rates.
- Closure of Leisure Centres needed as savings option.
- Financial Gap of costs over funding of circa £50m.
- Savings requirement is smoothed using reserves but MUST have a plan to achieve significant level of cuts.
- Council's revenue budget available for services is squeezed. Majority relates to social care or fixed liabilities. Statutory duties under threat and needing to make savings.
- Little option but to find significant savings from cutting discretionary services such as leisure and savings requirement is still needed now.

8.1 John also highlighted the plight of a number of other local authorities who have had to issue a S114 notice, with at least another 40 in financial difficulty and/or close to doing so. He confirmed that Gateshead are in a fortunate position of not having to consider issuing a S114 notice at this time, but this could only continue if further significant savings are identified from the budget.

8.2 John then described the Leisure Service Financial Context including:

- Historical subsidy of £3 million to £4 million per year
- Unable to deliver to budget on an annual basis.
- Most venues consistently overspending.
- Huge increase in energy costs and impact on venues.
- Huge impacts from Covid
- Large competing private sector gym offer across Gateshead including 33 gyms and a new large, modern facility being planned in the Metrocentre

8.3 John also explained that gym activities provide the largest element of the Leisure Service income and that subsidises other activities such as swimming which does not cover its cost. He also reminded the Committee that in January 2021 there was a further reduction in budget/savings required from

Leisure Services of £1.2m which was not achieved and had to be carried forward. He went on to explain that yearly pay awards, competition from private gyms in a small radius that can offer newer equipment, longer opening hours, and cheaper memberships coupled with the increase in energy costs have all had an impact on the financial sustainability of the Council's Leisure Service.

8.4 John provided a table of financial performance applicable to the Leisure Service that is within the scope of the review. He confirmed that despite all of the excellent work that had been carried out to increase income as described by Lindsay, the overall costs (subsidy) of the service had consistently remained at over £3m per annum and he confirmed that this is no longer affordable.

8.5 John then took the Committee through each Leisure Centre in turn and highlighted its financial performance as follows:

#### Birtley Swimming Centre

8.6 Birtley Swimming Centre was established in 1972. It has been subsidised each year since 2015/16 within a range of between £342k to £659k (the highest figure was during the year of closure due to Covid). In 2022/23 it required a subsidy of £469k. It also requires £172k additional repairs and maintenance works within the next 5 years with a further £806k in the next 20 years to replace the mechanical systems. This is in addition to the plant maintenance of £124k. It has an old slide that is out of order and requires removal as it is uneconomical to repair.

#### Birtley Leisure Centre

8.7 Birtley Leisure Centre is currently managed by an external company but the contract is not in the Council's favour with substantial previous capital investment by the operator built into the contract costs. Since 2015/16 it has been subsidised each year within a range of between £186k to £256k (highest subsidy in 2022/23). The facility was established in 1950 and extended in 1994. It requires £106k capital expenditure over the next 5 years and £685k over the next 20 years to replace the electrical and mechanical systems. Its future will be reviewed when the current contract expires in 2028.

#### Blaydon Leisure Centre

8.8 Blaydon Leisure Centre was established in 2010 and shares a site with the NHS. There is an agreement in place to allocate costs between the Council and the NHS and this is currently being reviewed. It has been subsidised in all but one year since 2015/16 within a range of £118k and £1m (highest subsidy during the year of closure due to Covid). In 2019/20 it appeared to generate an income of £26k, however since Covid it has required an ongoing subsidy and the subsidy required in 2022/23 was £363k. It requires £12k lifecycle costs over the next 5 years with £1.4m over the next 20 years and £113k in plant maintenance.

#### Dunston Leisure Centre

8.9 Dunston Leisure Centre was established in 1963 (Extended in 1975 and refurbished in 2010). It has been subsidised every year since 2015/16 within

a range of between £294k to £989k (highest subsidy during the year of closure due to Covid). The subsidy required in 2022/23 is £380k. It requires approx. £138k lifecycle maintenance over the next 5 years with an additional £1.3m over the next 20 years including repairs to the roof, and replacement of electrical, mechanical and swimming pool systems, in addition to £123k on plant maintenance.

#### Heworth Leisure Centre

- 8.10 Heworth Leisure Centre was built in 2010. It has been subsidised every year since 2015/16 within a range of between £344k and £917k (highest subsidy during the year of closure due to Covid). It requires £4k strategic maintenance over the next 5 years and £743k is required for the electrical and mechanical maintenance over the next 20 years with an additional £124k required for plant maintenance. It has a Flow rider which is currently out of action, but also expensive to maintain and run and it has limited use and limited appeal.

#### Gateshead Leisure Centre

- 8.11 Gateshead Leisure Centre was established in 1935, refurbished in 1975 and 2009. It is a very large and uneconomical site with lots of surplus space to heat and light. It has required a subsidy each year since 2015/16 within a range of between £354k and £1.6m (highest subsidy during the year of closure due to Covid). It requires significant lifecycle works over the next 20 years including roof repairs of £1.9m over the next 5 years, and £7.2m to replace the electrical, mechanical and swimming pool systems with £114k for plant maintenance. No one today would design a site as large and sprawling and costly to operate as Gateshead Leisure Centre.
- 8.12 John recapped the Leisure Services financial position including:
- The Council is putting in a subsidy of between £3m to £4m per annum and this has the potential to increase further with inflation and operating costs greatly increasing.
  - The service has been set a budget which it has failed to operate within, and most of the sites have consistently overspent year on year.
  - The impacts of Covid were devastating for the financial position of the service for a range of reasons that Michael had outlined. Every site's financial projection has worsened since Covid.
  - Energy costs have been particularly volatile, and Leisure Services are one of the Council's largest consumers of energy.
  - The income continues to be eroded through the increasing competition of new Gyms across Gateshead and we are in a situation where costs are increasing, and income has the potential to continue to reduce.
  - This service was no longer affordable to the Council particularly in the context of the ongoing funding gap.

9. Andrea then presented information about the ongoing investment required by the service. She highlighted that this is a rapidly changing and increasingly difficult market that is very commercial and aggressively marketed. In order to be a contender in such a market, huge levels of investment are required to

maintain and keep modernising the facilities to keep them attractive. Gateshead has relatively old facilities, even our newest sites are 13 years old. The infrastructure and IT systems have now become outdated. Operating within a rapidly changing market requires continuous updating and redesigning of the programming offered, the marketing campaigns and communications, and regular updating of equipment. This is in addition to the operational maintenance, and we have learned by working on the procurement specification that customer expectations keep rising. She too concluded that the service was no longer affordable.

- 9.1 Andrea also highlighted other consideration that formed part of the review process and led to the Cabinet recommendations. In the past, leisure services were considered to be a public service as only Councils provided and operated leisure facilities. This is no longer the case and commercial organisations now tend to dominate the market, managing more leisure facilities than Councils, and because this is their only focus they have become expert at it. When you contrast this with the huge number of services that the Council provides, it is understandable that operators are highly competitive and able to drive improvements that Council's are no longer able to do.
- 9.2 Andrea informed the Committee that operators also have the benefit of economies of scale and that provides them with greater expertise in sports and leisure activities, and the ability to transfer knowledge about what is working well from one region to another very quickly. They can also invest in and develop something once (i.e. a marketing campaign or a sports activity) and be able to roll it out across a large number of sites.
- 9.3 Andrea also commented that Covid has led to some customers not returning to leisure centre activities because they found alternative ways to keep fit during Covid and they have simply retained the new ways. This too has impacted on potential customer numbers.
- 9.4 Andrea believed that it was clear that the Council was no longer the best organisation to operate leisure centres.
- 9.5 Another part of the review process had involved speaking to other Councils to see if they were doing anything different, or if they had found a solution to the issues that were being faced in Gateshead. In all cases, the Council's that had managed to reduce their leisure budget had done so through a procured strategic partner/operator and a number of them had also had to close down facilities. A slide was referred to that highlighted the number of pool closures in the UK between 2020 and 2023, and examples were provided of other local authorities that were looking to make savings from their leisure provision including Chorley, Woking, Lincolnshire, Kirklees, Thameside, Belper; and reference was made to the difficulties Newcastle were facing with the building of a new leisure centre.
- 9.6 Andrea informed the Committee that the review concluded that a more radical solution was required because:
  - much work had been done to address leisure service overspend but not succeeded and the subsidy of between £3m-£4m remained despite a huge effort made to reduce it, and in the context of the Council's financial position this could not continue.

- A significant capital investment of approx. £14.5 would have been required over the next 20 years and this is not affordable.
- The service is suffering from outdated facilities, IT systems, lack of financial and operational data and poor IT infrastructure which is impacting on service delivery. To correct this would require further investment in the service.
- Work had been carried out to understand how the service is achieving the Council's Strategic Outcomes and sadly there was no evidence that by operating a leisure service, the council is reducing obesity rates or facilitating greater participation in activities from our residents who need the service the most.

9.7 Andrea informed the Committee that officers had asked Cabinet to make some difficult decisions (which they did) including:

- To procure a partner to deliver Leisure Services across the Gateshead sites.
- To rationalise the sites and close 2 facilities on 21 July 2023, (Gateshead Leisure Centre and Birtley Swimming Centre).
- To explore Community Asset Transfers for the 2 sites that were recommended to close.

10. Michael provided the Committee with an update of work that had been undertaken to salvage the service and make improvements following Covid and the 2 site closures :

- The remaining sites are now fully open.
- Energy audits have taken place across all sites to try to address the huge energy price increases and recommendations have been implemented.
- Health and Safety audits have taken place and although the service came out well, a small number of minor improvements were identified and have now been implemented.
- A new staffing structure has been developed to facilitate the closure of the 2 sites and the transferring of employees to the sites which are remaining open. This was achieved with no compulsory redundancies.
- The closure of the sites also required new rotas to be developed to enable the centres to remain open longer but not increase costs unnecessarily. The new rota has been implemented since 21 July and is working well.
- The pricing structure has been reviewed and amended in line with current market prices and it also applies to all members, new and existing members.
- A marketing plan is being developed.
- New staffing arrangements have been negotiated at Birtley Leisure Centre to reduce costs.

10.1 Michael also recognised that closing 2 sites has had a negative impact on the users of those sites, however he highlighted a number of positive outcomes of the review including:

- More public swimming,

- More swimming lessons offered,
  - The remaining sites are busier,
  - Work is progressing well to facilitate community assets of the sites that have closed,
  - Membership numbers have reduced but not as greatly as anticipated as some customers are now using other Council sites,
- 11 Andrea then highlighted some of the lessons learned that have been identified by officers including:
- Recognising the fragility of income and expenditure in an extremely volatile Leisure market.
  - Applying future price increases to all customers not just new customers.
  - Continuing to regularly review service delivery models and consider how best to utilise the new Best Value guidance.
  - Improving contingency planning for sudden and significant (catastrophic) reductions in income (e.g. pandemics, unplanned major works, etc) based on our experience of Covid.
  - Continuing to monitor the impacts of competitors and market trends.
  - Ensuring that future reviews are concluded quickly to prevent the situation from worsening.
  - Acknowledging that within the current financial climate, it is anticipated that there will be further difficult decisions to make across the Council.
- 12 The following questions were asked of the officers:
- Q9. Two points - recruitment problems during and immediately after covid. Were you considering applicants with previous experience of leisure services background, or looking at people who would like to be trained? Why was Gateshead different to Mansfield and why could we not recruit ?*
- 12.1 There was a national shortage of a number of key leisure roles including swimming instructors and lifeguards, as during covid there was no training going on and the lack of training was a national issue. The Council experienced further challenges compared to other leisure providers and gyms as the Council was reviewing its Leisure Services and that led to us only being able to offer temporary contracts to avoid making redundancies further down the line, and that meant our roles were less attractive than other organisations.
- Q10 There is a pool of people out there, but they work for private sector, are the 33 gyms suffering same problem as we did?*
- 12.2 As already mentioned the key area for staff shortages was around swimming and pool side staff. Local gyms don't have pools, and they were more likely to offer permanent contracts and therefore be viewed as a more attractive employer.
- Q11. How long does it take to train a swimming instructor?*
- 12.3 In order to be a swimming instructor you would have to have suitable experience. Alice confirmed that she had been a swimming instructor many years ago and it took about 3-4 months to get through the training however it might be more rigorous and therefore take longer now.

*Q12 Capital investment about who is responsible for the management of the building, most options require some degree of investment from the council on an ongoing basis, this is something we need to bear in mind as we are privatising the service but not the building, we need to consider this.*

12.4 The Council has worked with FMG to develop a matrix of who is responsible for what elements of maintenance and we will work with the operator to seek external funding wherever possible.

*Q13 Are employees in private gyms self-employed?*

12.5 This may be the case however it will depend on the gym and how its structured. A number of them operate 24 hours and have very few employees.

*Q14 Leisure Centre Gateshead was it £2m for roof repairs and £7m for the future, is that over 10-15 years?*

12.6 The repairs for Gateshead Leisure Centre are over the next 20 years with the roof repairs being potentially required over the next 5 years.

*Q15 How much would flow rider cost to repair?*

12.7 It would likely cost £40k to repair, however it is costly to operate and has limited appeal and therefore as part of the procurement process we might ask what ideas operators would have in terms of reuse of that space to see what ideas the market has.

*Q16 How much is the service costing per year to subsidise now, about half a million per year?*

12.8 Despite all of the work we have done to reduce costs the Council is subsidising leisure services in the region of between £3m and £4m per year and this is no longer affordable in the current financial climate.

*Q17 We aren't in it to make a profit, but we are in it to keep up the health within Gateshead. Have they (customers) gone elsewhere because we have lost them and will they come back and what is the current cost?*

12.9 We didn't open up the centres as quick as others did, and there are not many discretionary services left where we are able to reduce budgets and we have £50m savings still to make. When we looked at this in more detail we identified that there are only a small number of people benefiting from the £3m to £4m we are subsidising each year. There are other things we could be doing with that money that would benefit more people within the Borough. We anticipate that when we have a procured partner, they will be able to attract some of the customers from other gym providers.

*Q18. Do we have anything in place that doesn't cost money as it costs money to go to leisure centres e.g. walking clubs?*

12.10 The answer is yes. Councillors may remember that there was a lot of publicity in the summer encouraging people to play football. We also received funding for social prescribing which we will use to help to encourage people to build activity into their daily lives. We have part of leisure services which looks to access funding to bring older people and children into activity. We could bring this other work around the active communities partnership to OSC in the future.

*Q19 There are 33 private gyms across Gateshead who can make it work, how can we not?*

12.11 The private gyms do not operate swimming pools and they have less staff available to users than the Council does as our clients are different and our risk assessments identify the number of employees we require. Some of the gyms operate with no or very few staff available at certain times of the day or night.

*Q20 Since 2015/16 onwards there has been a series of managerial or political failings but there is no accountability of officers or politicians in the report. Whether we are looking at leisure services, or housing repairs we need to see accountability. If we don't identify accountability, how can we ensure this won't happen again?*

12.12 During the early years we focussed on increasing income and we achieved what we set out to do, however during the most recent review we focussed on overall subsidy and overspend. The overspend was coming down before covid, however we need to focus on what the service is costing us and what the bottom line is telling us which is different to what we focussed on initially.

13. Dave Cove, Director of specialist leisure consultants FMG presented to the Committee and explained that they often carried out work with and on behalf of Sports England and they were engaged by the Council to carry out a review and deep dive into the service performance. Dave had visited each of the Leisure centres to complete an audit and undertake benchmarking activity and he highlighted that:

- Based on benchmarking in May 2022 Gateshead's income recovery from Covid was at 75% compared with the sector average of 90%-100%. Similarly Gateshead's fitness membership recovery rate was at 60% compared with the sector average of 90-100%. This resulted in loss of income and membership.
- Facilities were not opened quickly enough or with full hours.
- Dave confirmed that the leisure centre sites were situated in the most appropriate places based on geographical spread and population size.
- He outlined the immediate priorities at the time of the review being to get staff back into the service, filling vacancies and reopening the facilities fully and increasing opening hours at all sites. He confirmed that this had been done as Michael had described.

13.1 FMG's wider findings included the need to:

- Review the staffing structure
- Be more flexible with the use of Studio Space (to incorporate more fun and family activities)



- Develop the activity programmes to specialise in community delivery as there was currently no flexibility, creativity or innovation at the sites. The current class programme is not fit for purpose.
- Invest in, or overhauling the systems and processes linked to membership data as the current ICT systems are outdated and do not provide the appropriate data to drive promotional activity.
- Review the pricing structure as some members had never had a price increase since joining the schemes many years ago (price for life), and also to reconsider the concessionary pricing for those on low income.
- Implement an energy audit (which he acknowledged had been completed and consider ways to reduce energy costs further.
- Improve communications and marketing via the website, social media, and other customer touchpoints.
- Consider terms and condition as high percentages of the council's staff were working overtime at increased rates (e.g. double time) where as the industry has moved to 7 days per week salaries.
- Be mindful that the existing facilities are considered by the industry to be old, have lots of wasted space and are not energy efficient.
- Improve marketing which is underdeveloped and was put on hold during the review.
- Consider that the sports hall at Gateshead Leisure Centre was mainly used for football whereas the industry is changing to having more dedicated outdoor space allocated for football.

13.2 Dave described the work that went into the deep dive exercise using Gateshead Leisure Centre as an example (but confirming that similar work had taken place across all Gateshead Leisure Centres) and highlighting the relatively poor performance of the sites in general based on benchmarking data in terms of recovery of income, fitness memberships and annual visits since Covid. He provided a map that pinpointed the private sector gyms within Gateshead and confirmed that there was a lot of competition for this market. He also highlighted that the Go Access Card (which was designed for those on low income) had a poor take up of only 3% of the overall membership which did not reflect the demographics within the Borough.

13.3 Dave also produced information about Gateshead Leisure Centres service performance based on benchmarking with the market. In a large number of instances the site was underperforming and performance was deteriorating in 2022/23. He acknowledged that the size of the site impacted on its performance and confirmed that it would be difficult for the Council to make this site work financially.

13.4. Dave concluded that at Gateshead Leisure Centre:

- There was a huge area to heat and maintain, much of which was underutilised,
- There was an attractive soft play and clip n climb facility, but with an older billet system for clip n climb which resulted in higher staffing costs than other systems on the market,

- There was no café cart or other refreshments near the family area which impacts on secondary spend, with users having to walk c50m to get refreshments
- The Swimming development manager has suggested a number of service improvements that can help to accommodate additional swimming lessons
- The main sports hall mainly utilised for football and there was not much evidence of club and development programming.

14. The following questions were asked of Dave:

*Q21. We were told we had to close 2-3 leisure centres for the viability of the others, if the community asset transfers go ahead do you think they will undermine the other 3, is it viable for all 5 to operate?*

14.1. Dave responded that there should be enough customers to operate all 5 sites although there will be an element of customers moving from site to site and this can sometimes cause issues with programming, however the new operator will ensure that the sites compliment each other rather than compete with each other through improved activity planning.

*Q22. Gold membership would only apply to the 4 centres, if the community assets get up and running could we work with them to have membership across all site?*

14.2. Dave responded that currently the income is allocated to the site where the customer had taken out the membership not which site they currently use. The Operator will bring in new membership arrangements and there may be a package where users can access more than one site in addition to a membership category where only one site can be accessed however the equivalent of Go membership will only apply to Council sites and not the community asset transferred sites, and the Council will benefit from the operators experience of what works best and what doesn't.

*Q23 If the Council had decided in 2015 to outsource centres, then would we be in this position now?*

14.3 David responded that it is difficult to say, and he couldn't say that the Council wouldn't need to close sites, but he was confident that based on the experience of Councils elsewhere including Mansfield who explained their position earlier, the Council would have been in a better financial position.

## 15 **Progress with Community Asset Transfers**

### Birtley Swimming Centre

15.1 Matthew Grant, Treasurer of the Gateshead and Whickham Swimming Club and leading the project team which are working on the community asset transfer of Birtley Swimming Centre gave an outline of the progress made to date, outlined their plans, and presented a business case for the transfer of the centre to Birtley Aquatics. The key messages from his presentation included:

- Following the announcement in late January 2023 that Birtley Swim Centre was likely to close, the committees of the swimming clubs at Birtley, and Gateshead and Whickham, agreed to form a joint project team, to investigate the potential for a Community Asset Transfer for Birtley Swim Centre.
- Initially this was a small team of just four volunteers, however between March and the end of May, they developed a new operating model and a detailed business case for Birtley swim centre, if it was run as a Community asset.
- They demonstrated to council officers, that by operating the pool in a different way, the centre could be financially viable, and generate sufficient income to cover its operating costs.
- They also submitted a project plan to officers which has a reopening date of approximately April 2024.
- The group are currently working on the next phase of their project which requires more extensive and detailed analysis and wider engagement of the Birtley community.
- The project team now consists of 16 team members including many people with significant experience of swimming activities.
- They also have a list of other volunteers with additional skills and experience required for the asset transfer to work effectively.
- They have established six sub project teams covering the HR, IT and operational requirements, their Crowdfunding project, fundraising from other sources and the procurement of a Learn to Swim supplier.
- They are working closely with Elswick Community Pool in Newcastle which closed in 2015 and reopened in 2019, and Elswick have been kind enough to share lots of information with the group and are considered to demonstrate best practice in the running of community pools. Elswick Community Group have provided advice on timetabling, staffing and other operational issues.

15.2 Matthew went on to describe the business planning process they had undertaken:

- The first major piece of work was to develop a viable business case that addressed the significant financial challenge.
- The Council was operating the site with an operating loss of £340k per annum, however the business case that the group have developed shows income exceeding costs by about £30k per annum.
- The savings had come from employment costs (reduction of £250k) as the centre will operate:
  - with the introduction of multiskilled roles to enable staff to be more flexible.
  - Alternative spinal boards will be used at the centre to enable less staff to be required.
  - A leaner shift rota has also been designed which aligns to the activities and new pool timetable.
- The group will also make a significant saving of at least 80% (and possibly 100%) on business rates as they will be a Charitable Incorporated Organisation.
- A wider range of pool activities will increase income (forecasted to increase by £124k) through attracting more school swimming to the pool

from a wider catchment area, sessions for home schooled children, use by local swimming clubs that did not previously use the pool, the procurement of an experienced and proven supplier to run the public swimming lessons, and a broader range of swimming activities for the public including single sex sessions, family swimming, disability swimming, aquafit, inflatable fun sessions, NHS therapy sessions and pool parties and swim camps during school holidays.

- There will be extended opening hours too.

15.3 Matthew shared information about the fundraising that was planned for the centre and the need to raise at least £100k to reopen the pool and he explained how that money would be spent. He also elaborated on the plans to raise these funds, through various grants, fundraising activities and community and business donations. He highlighted that they had been successful in their initial phase of fundraising via a Crowdfunding campaign.

15.4 Other work that was progressing well included:

- Agreeing the constitution and the trustee roles for their charitable incorporated organisation, which will be called Birtley Community Aquatic Centre,
- Submitting the application to the Charities Commission to get the new governance group registered.
- Identifying the cost and timing of all required capital work and the operating expenditure which is required before the pool reopens.
- Agreeing water time and pricing with the future customers of the centre, such as Birtley, and Gateshead and Whickham swimming clubs, plus other clubs and local schools.
- Procuring the Learn To Swim supplier which will be completed by the start of November.
- Working on the operational tasks, asset maintenance and health and safety plans to manage the pool safely and efficiently.
- Finalising the systems that will be used by the centre and firming up on the IT infrastructure and hardware, which will support these systems.
- Developing the HR policies and procedures based on those used at Elswick Community Pool as a starting point.
- Reviewing and finalising the documents that will govern the asset transfer, including the operating lease, and obtaining legal advice on these documents.
- Continuing to update the financial business case from the outputs of all the other work
- Producing a detailed implementation plan for phase 3 to facilitate the reopening of the pool by April 2024.

15.5 Matthew informed the Committee that the final phase of work, following Cabinet approval of the community asset transfer would include:

- recruitment and training of staff,
- agreement of contracts with customers,
- undertaking any capital work required before the pool reopens,
- marketing the new facility

- setting up the systems and processes to manage the centre
- Cleaning and redecorating the centre

16 The following questions were asked:

*Q24. You said centre was built in 1970, its at that age where there will be big capital investments required. How are you taking this into consideration?*

16.1 Matthew replied that one of the documents they were provided with by the Council was an asset condition survey that listed the work required over the coming years including replacement of engine room and electrical work. There is nothing required for first years and the group is getting an independent survey done. They have had external engineers look at the building, and they seem to be impressed by the state of the asset and the Elswick pool manager was impressed with the pool plant room. Matthew acknowledged that in the long term they would have to seek external funding for large scale building repairs and maintenance.

*Q25. Have you started recruiting volunteers, and are you actively recruiting from your swimming club?*

16.2 Matthew replied that the recruitment process had not started yet as the focus had been on getting the trustees and board members in place. The board have a lot of skills and experience, and they have asked for people who would like to volunteer on reception and such like to come forward, however they do not want to rely on volunteers for the day to day operation of the centre.

*Q26. The pool timetable is very ambitious, is it based on Elswick?*

16.3 Matthew replied that it is very similar to Elswick and based on activities already undertaken by other swimming pools including what the Council used to operate and planned to provide from that particular pool. There is also a lot of interest from schools which has been taken into account.

### Gateshead Leisure Centre

17. Robert Waugh provide the Committee of Gateshead Active's plans to re-open Gateshead Leisure Centre

17.1 He informed the Committee that Gateshead Active are not for profit organisation, formed in November 2022, initially comprising of like minded people who want Gateshead Leisure Centre to remain open. It has applied for charitable status to enable it to benefit from tax reliefs and business rate reliefs, and to provide more opportunity to access other funding.

17.2 Gateshead Active plan to develop the building so it's a more of a community hub, and by no means do they have answers on what grants will be available but will bid for them as and when they become available.

17.3 Not all of the activities will be within the charitable status as they intent to also create a commercial arm for example to run the café which will be available to users of the facility as well as the wider community and undertake other

trading activities. The group plan to introduce a more competitive membership offer, through an increased focus on marketing and social media presence. It is their aim to create a community hub rather than a traditional leisure centre.

- 17.4 The key costs they have identified at the moment include recruitment and employment costs, IT software and hardware costs and some capital costs for the building. They are working with a consultancy CIC towards a funding bid through big lottery funding and also working towards an interest only loan of £200k with payback over an 8-year period. They have raised an initial £8700 through crowd funding and have some smaller grant funding available to them. They acknowledged that the Council had applied for funding for them to support their utility costs. Their current business case predicts them to make a loss in the first 2 years due to the initial upfront costs.
- 17.5 Lessons learned from the Council include advice on the staffing structure but with some cost reductions. The Council had plenty of ideas and some are quick wins that Gateshead Active will pursue. The Council were unable to reduce cost in some areas where a charitable organisation can (e.g. reduction in business rates).
- 17.6 There would be a number of changes made to the activities that they provide including opening a 24 hour gym, virtual escape rooms, pool table, table tennis, inflatable darts, E sports and inflatable activities in order to use as much of the centre space as possible. They are also looking at the possibility of lazer tag and 10 pin bowling as future developments.
- 17.7 There will be an increase in business to business working at the site in terms of potential café, sports bar, pop up shops, sports therapy and other community businesses.
- 17.8 The groups priority is to continue to work on their grant applications and to work with the officer working group to finalise the business plan and progress with the transfer of the Leisure Centre. Once the transfer is complete the immediate infrastructure will be installed.

18. The following questions were asked:

*Q27 24 hours of operation, Pure Gym has an ideal spot next to students and Tesco car park, how would you make this work at the Gateshead Leisure Centre site?*

18.1 Robert responded that he believed the gym has a 24-hour license for this type of activity, and the group are looking at alternative access so there is direct access to the gym. Unlike the sites mentioned, it would be staffed 24-7, which would provide reassurance to women users and this is something that the group would like to open from day one. Restricting the access to the Gym area only would reduce staffing costs and make it affordable.

*Q28. Inflatable dart board, what is that?*

18.2 Robert described it as an inflatable dart board using inflatable footballs with Velcro on an inflatable dartboard.

Q29. *What is your intended opening date?*

18.3 Robert responded that we aim to have a launch event on 31 December 2023 with the site opening in January 2024, however they are currently working through this with the officer working group as in order to achieve this a report would have to be considered and approved by Cabinet in December 2023. The group have ramped up their work to achieve the deadlines and they need to make sure they have staff in place to input into the policies and operating procedures.

Q30. *Have you advertised for staff recently?*

18.4 Robert replied that yes, they had advertised to fill some key posts. They had received about 50 applicants and to open within the planned timescales, key staff had to be in place before the centre re-opens.

Q31 *You would not be alone on running such a centre and we have evidence that in some cases asset transfers work better under communities than under council control (Whickham Thorns, and Dunston Activity Centre) where a network of partnerships come together, and went from strength to strength and I hope that it works here, but is there anywhere else locally taken on a centre the same size as this centre?*

18.5 Robert replied that they have looked at how Newcastle Eagles have developed their business and have spoken to a lot of operators in the market to learn how they run leisure centres and this learning will feed into how they make best use of the facility. In most other sites space is at a huge premium but the Gateshead Leisure Centre may be able to hold events for the local community as it has a capacity for over 2000 people. It is difficult to compare as there are no examples of similar organisations or similar sites.

19. Throughout the meeting Councillors acknowledged that;

- Significant lessons need to be learned, in terms of increasing the subsidy to maintain service provision and my mind goes to adult and children's services and other statutory services of the Council and what difference the additional funding could have made in those services.
- When things weren't working this should have been brought to us and if a similar situation happened again we need to be much more responsive.
- We need to be clear about what risks we will retain (with regard to the procurement of an operator).
- We can't blame covid on everything and energy on everything.
- If every year we set a budget and fail to achieve it, and we over spend against the budget over a number of financial years, the budget cannot have been set right in the first place.
- Councillors are being asked how they support community assets and I think this is something councillors and officers need to explore together.
- We tend to see a plethora of discretionary services on which we are asked to make a decision, however we need to see the budget in its entirety for the full picture.

## **Emerging Recommendations**

20. The initial recommendation that are merging from this work include:

Recommendation 1 – consider the lessons learned from this review and incorporate them into the procurement process as appropriate.

Recommendation 2 – be clear about the risks the Council should retain as part of the procurement process.

Recommendation 3 – share information from this review with the community asset groups to enable them to learn from the Council's experience.

Recommendation 4 – apply future price increases to all customers and not just new customers for all traded services unless there is a commercial reason to do something different.

Recommendation 5 – review the council's contingency planning arrangements for sudden and potentially catastrophic reductions in income (e.g. pandemics, unplanned major work etc) based on the Council's experience of Covid.

Recommendation 6 – ensure appropriate monitoring of the impact of sector competition and market trends within the Council's trading services.

Recommendation 7 – conclude future service reviews as quickly as possible to prevent the situation from worsening.

Recommendation 8 – ensure appropriate contract management is undertaken for all procured sites.

Recommendation 9 –to keep under review the employment conditions of employees engaged to deliver the Council's traded services.