

Report To: EXECUTIVE CABINET

Date: 16 December 2015

Executive Member /Reporting Officer: Councillor J. Fitzpatrick - First Deputy (Performance & Finance);
Councillor Travis – Executive Member (Neighbourhoods and Health)
Angela Hardman – Director of Public Health

Subject: ACTIVE TAMESIDE

Report Summary: Following previous reports to Executive Cabinet on 4 February 2015 and Executive Board on 15 July 2015 it was agreed that a planned reduction in the Active Tameside management fee would be deferred until 2016/17 to enable a strategic review to be undertaken to determine opportunities and options for the development of a financially and operationally sustainable long-term business model.

Alongside this, transformational work has been ongoing to enhance the contribution of Active Tameside to improving health outcomes and reducing health inequalities within Tameside.

This report details specific proposed next steps in relation to Active Tameside and the Tameside Sports and Leisure estate.

These proposals explored include:

- Rationalisation of the existing estate
- A programme of Capital investment
- Increased commercially profitable activity
- Growth in inward investment
- Partnering arrangements

The proposals identified within this report, could potentially enable the Tameside Council Revenue Investment in Active Tameside to be reduced from £1.865million to £0.720 million by 2019/20. It should be noted however that this remains dependent on the final outcome of consultation and the final Key Decision to be taken on 23 March 2016.

Recommendations: That the Executive Cabinet consider the issues and options within this report and agree the following:

1. To consult from 17 December 2015 until 11 February 2016 (8 weeks) on the closure of Active Dukinfield, subject to a final key decision on 23 March 2016;
2. To consult from 17 December 2015 until 11 February 2016 (8 weeks) on the closure of Active Denton, subject to a final key decision on 23 March 2016;
3. To consult from 17 December 2015 until 11 February 2016 (8 weeks) on the closure of Active Ashton, subject to a final key decision on 23 March 2016;
4. To consult on the proposed development of a new Tameside Wellness Centre, the feasibility and desirability of potential sites, and the principles upon which the Council should make

- a final key decision on 23 March 2016;
5. To consult on the addition of a second swimming pool at Active Hyde subject to a final key decision on 23 March 2016;
 6. To note the proposal for a programme of capital investment as per Table 3 (section 14.11);
 7. To approve the award of a contract for 2016/17 to Active Tameside at a value of £1.775 million;
 8. To note the proposals for a longer term contract award for a period of time commensurate to the remaining lease, subject to the outcomes of the consultations under (1), (2) (3), (4) and (5) and a final key decision on 23 March 2016;
 9. To agree proposals to increase the annual Council revenue budget for maintenance and repairs by £ 0.050 million on a recurrent basis from 2016/17 (to a total of £ 0.100 million) as detailed in paragraph 13.10.2.
 10. To note proposals to undertake a programme of repairs totalling £0.357 million during 2016/17 as detailed in paragraph 13.10.1
 11. To agree to support Active Tameside to develop an Active Play Centre at the existing Active Longdendale site.

Links to Community Strategy:

Active Tameside positively contributes to the following themes of the Community Strategy:

Healthy Tameside – Increasing the number of people participating in sport and physical activity and encouraging lifelong participation.

Safe Tameside - Provide a welcoming and safe environment for people to participate in sport and physical activity.

Supporting Tameside – Supporting the work of voluntary clubs and volunteers.

Attractive Tameside - High quality sport and leisure facilities.

Learning Tameside - Coach education and sports specific development programmes.

Prosperity – Attracting inward investment.

Policy Implications:

It is essential that any proposals relating to Active Tameside demonstrate value for money and makes a clear contribution to Council priorities.

**Financial Implications:
(Authorised by the Section 151 Officer)**

Section 9 of the report provides details of the existing debt and lease guarantor liabilities of Active Tameside with the Council.

Section 14 provides details of proposals to deliver a reduced revenue annual investment for the Council by 31 March 2020 and residual years thereafter.

Section 14 also provides details of proposed capital investment in the Tameside leisure estate.

Executive Members should note the following summary financial implications for the Council of this report and which are subject to the outcome of the recommended consultation.

1. The Council will retain a responsibility for the existing outstanding debt liability of £4.826 million. The report recommends that Active Tameside continue to repay this liability to the Council for the duration of existing agreements. The debt will be wholly repaid by 31 March 2025.
2. Sections 12.4 and 12.5 of the report provide proposed investment details for Active Longdendale. Active Tameside will require initial investment from the Council to an estimated value of £ 0.500 million to progress the proposal. It should be noted however that the associated business plan will need to include full repayment of this investment to the Council. The Council will determine the appropriate financing option for the investment should the proposal be approved.
3. Section 13 of the report proposes an increase to the existing annual revenue repair and maintenance budget for Active Tameside centres. The report proposes an increase of £0.050 million from 2016/17 and on a recurrent basis thereafter. Executive Members should note that this will need to be financed from the existing Public Health revenue budget
4. Delivery of a £ 0.350 million reduction in the Active Tameside revenue investment in 2016/2017 was approved in the 2015/2016 Budget report. Section 14 of this report provides details of options to deliver savings of £0.090 million in 2016/17. This leaves a residual sum of £ 0.260 million to identify. This will need to be financed from the existing Public Health revenue budget and on a recurrent basis thereafter.
5. The report requests consideration of phased capital investment in the Tameside leisure estate. The current capital programme includes a sum of £8.410 million for a new Tameside centre, based on an assumption that the investment will be wholly financed Active Tameside. The revised total estimated capital investment requested is £16.811 million (section 14 table 3) for which some partner or match funding may be available. Any balance of investment is proposed to be financed by the Council. The appropriate financing option will be determined once the outcome of the relevant consultation is known.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

Whilst Active Tameside has a lease of a number of sports centres, the terms of that lease are fairly onerous in putting ultimate responsibility for repair of the centres on the Council. The terms of the lease need to be considered when deciding on the future sports offering and it should be noted that the Council can terminate the lease on 6 months' notice (at any time) if to do so would be in the best interests of citizens.

The Council needs to ensure that where it invests in the provision for sport and health and wellbeing across the borough it is both sustainable and that it will have a significant impact on addressing health inequalities. There is a statutory duty to address health inequalities and powers to provide sports facilities.

To do this it will be necessary to look at the complex existing infrastructure that needs to be balanced financially in light of significant budget cuts taking into account that the Council owns valuable assets but neither the Council or Active Tameside (a

charity), which operate those facilities under leases with less than 25 years has the revenue to maintain them to deliver the increased levels of activity required to have a sustained impact on health.

The recommendations within the report have been designed to take into account complex legal and financial issues such as public law, procurement, state aid and charity law.

The proposals involve the commencement of a consultation exercise which may ultimately result in the closure of facilities. The report proposes a strategy of mitigation measures in consideration of this. It will be necessary to undertake a full equality impact assessment alongside the consultation exercise. This demonstrates the need to proceed in a careful and measured way, taking account of everything relevant and with proper consultation before a decision is made. Following the consultation exercise a Key Decision will be required to consider the results of the consultation, to have regard to the equality impacts of the proposal, and to agree the way forward, taking all things into consideration.

The report seeks to award a 12 month contract to Active Tameside and to note the aspiration to grant a longer term contract coterminous with the lease arrangements. The current arrangements amount to a service concession contract which is a contract under which the consideration given consists of or includes the right to exploit the service or services to be provided under the contract. Regulation 117 of the Public Contracts Regulations 2015 excludes Service Concession Contracts from the application of the normal public contract requirements involving an OJEU notice and a competitive exercise. Where the Council wishes to let a concession contract which affects cross border activity, it is required to comply with its obligations under the EC Treaty and let the public services concession contract in an open transparent and fair manner. As the current arrangement with Active Tameside does not involve a cross border activity no such obligation arises. To exercise an option for a longer terms contract, the Council would need to act promptly as the Government is currently undertaking consultation on a new Concession Contract Regulations which are to come into force from April 2016. Following the coming into force of the Regulations, a procurement exercise will be required involving an open transparent procurement advertised through OJEU.

Any proposals to invest in Active Longdendale referred to in paragraph 12.4 will require further governance to approve the investment. This will need to consider the proposed business case and the risks which may arise as a result in changes to procurement legislation.

Risk Management:

Active Tameside is currently facing significant financial, operational and reputational risks and the proposals within this report aim to mitigate against these.

Proposals identified in this report will be progressed via a Transformation Board with robust governance.

Access to Information:

The background papers relating to this report can be inspected by contacting Angela Hardman, by:



Telephone: 0161 342 2519



E-mail: angela.hardman@tameside.gov.uk

1. INTRODUCTION

- 1.1 If exercise were a pill, it would be one of the most cost-effective drugs ever invented.
- 1.2 However, the level of physical inactivity in Tameside (32.81%) is significantly worse than the national average (28.95%) and amongst the worst in the country, contributing to poor health and early deaths.
- 1.3 Active Tameside are a key partner in responding to this challenge and moving increasing numbers of people from being inactive, to being active.
- 1.4 However, as a result of reducing revenue, increasing overhead and maintenance costs, and a changing marketplace, they have become financially unsustainable, and some of the existing asset portfolio is in an increasing state of disrepair.
- 1.5 On 4 February 2015, at a joint meeting of the Executive Cabinet and the Overview (Audit) Panel, it was agreed that a planned reduction in the Active Tameside management fee for 2015/16 would be deferred until 2016/17 to enable a full strategic review to be undertaken to determine opportunities and options for the development of a financially and operationally sustainable long-term business model. In addition, other options available to the Council for the operation of sport and leisure facilities were to be explored as part of the strategic review.
- 1.6 A copy of the Executive Cabinet Report from 4 February 2015 is available via <http://www.tameside.gov.uk/executive/cabinet/04feb15/agenda>
- 1.7 An independent report produced by DTZ in August 2015 has underpinned some of the proposals within this report.
- 1.8 A Health Needs Assessment has been completed by the Tameside Council Public Health Team during 2015 and has underpinned some of the proposals within this report.
- 1.9 An independent report produced by V4 Consultants in August 2014 has underpinned some of the proposals within this report.
- 1.10 At the heart of the course of action endorsed previously by the Council was a genuine desire for Active Tameside to succeed and fulfil its undoubted potential, and a recognition that increasing the level of physical activity amongst our local population was fundamental in improving overall health and wellbeing, enabling economic growth, and reducing demand for health and social care services.
- 1.11 Over recent years Active Tameside has proven itself to be a meaningful and positive partner who has displayed a willingness to transform as an organisation whilst maintaining high quality services in a context of a reduced Council contribution, an ageing estate, and an increasingly competitive market. Examples to support this can be found in paragraph 7.9
- 1.12 Alongside this, Active Tameside has been embarking on a transformational journey with the Tameside Council Public Health Team to enhance the contribution they make to improving health outcomes and reducing health inequalities within Tameside. This has been underpinned by increased recurrent and non-recurrent investment from the Tameside Council Public Health Grant, and through a successful funding bid to the Sport England 'Get Healthy, Get Active' Fund.
- 1.13 This report builds upon the previous report and makes a series of proposals, a number of which will be subject to stakeholder and public consultation.

- 1.14 The proposals could reduce the annual Council revenue investment from £1.865 million to £0.720 million per annum by 2019/20. It should be noted however, that this projected reduction is predicated upon a range of variables which remain subject to the final Key Decision on 23 March 2016.

2. THE CASE FOR CONTINUED INVESTMENT IN SPORT AND PHYSICAL ACTIVITY AND COMBATING INACTIVITY IN TAMESIDE

- 2.1 Investment in Sports and Physical Activity is an ‘invest to save’ opportunity which directly impacts upon the health and wellbeing of the local population and reduces the demand for more costly health and social care services.

- 2.2 The case for continued investment in sport and physical activity to combat inactivity was made and accepted in the report to Executive Cabinet on the 4 February 2015.

- 2.3 Physical inactivity is the fourth leading cause of many of the most significant health problems in the UK today.

- 2.4 The National Institute for Health and Clinical Excellence (NICE) have assessed brief interventions for physical activity as costing between £20 and £440 per Quality Adjusted Life Year which is significantly below the £30,000 per intervention threshold applied by NICE to determine cost effectiveness and led to physical inactivity being assessed by the Department of Health as providing “exceptional value for money”.

- 2.5 A wide body of research from within the UK and internationally unequivocally identifies that investment in encouraging and enabling participation in physical activity is a cost effective method of increasing population health and reducing avoidable demand and expenditure.

- 2.6 Sport England also provide a wide range of evidence of the positive economic, social, cultural and health impact of Sports and Physical Activity:

<https://www.sportengland.org/research/benefits-of-sport/>

- 2.7 The estimated cost of physical inactivity in Tameside is at least £21.5million per year in terms of avoidable health, social care and economic productivity costs.

- 2.9 A 1% reduction in physical inactivity would generate savings of approximately £0.65 million per year and if Tameside were to shift from its current level (32.81%) to the national average (28.95%), this would result in annual savings of approximately £2.6 million per year, or £52 million over a 20 year period.

- 2.10 Only 50.7% of adults in Tameside undertake 150 minutes of physical activity per week, compared to a national average of 57%.

- 2.11 It is estimated that in Tameside:

- Physical inactivity is directly responsible for 1 in 6 premature deaths each year – a total of 172 people in Tameside in 2014.
- If every adult in Tameside participated in 150 minutes of physical activity per week, we could annually prevent:
 - 1,344 new diabetes cases;
 - 60 new cases of breast cancer;
 - 21 new colorectal cancer cases;

- 73 new case of Coronary Heart disease.

2.12 Physical Inactivity is directly correlated to deprivation levels, meaning that it is a significant factor in creating and maintaining health inequalities. Increasing participation amongst the most deprived is a vehicle for closing the health inequalities gap.

2.13 The impact of increasing physical activity in Tameside would be significant in terms of the health of the population, the demand and cost associated with ill health, and the contribution to economic growth within the Borough.

2.14 The presence of a high quality leisure estate, ran by a competent provider is a key prerequisite to realising this ambition.

3 CURRENT RISKS

3.1 As a result of a reduction in revenue funding, increasing overheads, a deteriorating estate and a changing marketplace, Active Tameside is financial unsustainable and operationally vulnerable.

3.2 A full overview of Active Tameside's financial position is set out in the report to Executive Cabinet on 4 February 2015.

3.3 Active Tameside is currently operating with a c.£0.200 million annual budget deficit, has no reserves, and is at acute risk of being financially unviable if there were to be only a minor deterioration in its market position.

3.4 The Tameside Leisure Estate has elements which are at catastrophic risk of failure, and has a significant and unsustainable maintenance backlog.

3.5 In addition to the above, a further risk has arisen due to a change in procurement legislation in February 2015. The options and the associated risks are outlined in paragraph 8.

3.6 The proposals within this report seek to identify a number of areas where action can be taken to mitigate against these risks.

4 AREAS FOR CONSIDERATION FOR A FINANCIALLY AND OPERATIONALLY SUSTAINABLE LONG-TERM BUSINESS MODEL

4.1 A range of options have been considered against their potential to contribute towards the achievement of the following outcomes:

- Significantly reduce or eliminate the subsidy provided for the operation of the Council's leisure facilities;
- Reduce or eliminate the Council's short and medium term liabilities associated with the maintenance of the leisure centre estate;
- Reduce or eliminate the risks associated with the sustainability of the operator;
- Transform the Tameside physical activity 'offer' to deliver significant sustained health outcomes for the borough where it is most needed;
- Continue to offer a safe, high quality and high impact sports and leisure provision.

4.2 The key areas that have been explored are:

- Review of the Leisure estate;
- Review of existing debt liabilities;
- Asset Transfer / Lease arrangements;
- Public Health revenue investment;
- Match funding opportunities / inward investment;
- Opportunities for Partnering
- Investment in Commercial Ventures

4.3 The primary vehicle for achieving the stated outcome is the rationalisation of facilities, and the development of a Tameside Wellness Centre.

4.4 As is set out in section 5.11, this potentially contributes a significant amount to the proposals to reduce the subsidy considerably by 2019/20.

4.5 The remaining considerations identified in 4.2 cumulatively allow for a gradual reduction in the subsidy but are marginal compared to the impact of the rationalisation proposals.

5 CAPITAL INVESTMENT PROGRAMME / FACILITIES RATIONALISATION

5.1 Based upon the DTZ report and discussions with Active Tameside, the key to successfully reducing the current subsidy, whilst continuing to improve the health of the local population, is to rationalise the existing facilities portfolio, whilst investing in a new range of facilities.

5.2 An assessment of the current condition of the estate identifies Dukinfield, Denton and Ashton as being the 3 sites which have the greatest operational challenges and which between them generate a subsidy cost of £0.578 million, allied to a backlog maintenance liability of c.£2.4million (which is 58% of the estate-wide liability)

5.3 All 3 sites are no longer fit for purpose and have either surpassed or are approaching their operational lifespan.

5.4 DTZ assessed that the most financially sustainable approach would be the closure of all 3 sites, and an investment in a single new iconic multi-purpose site, supported by a range of mitigation measures to minimise adverse local impact.

5.5 Active Ashton

5.5.1 According to DTZ, the current Ashton site generates an overall annual subsidy cost of £ 0.268 million.

5.5.2 The current Ashton site has backlog maintenance liabilities totalling £ 0.571 million.

5.5.3 The current facility is no longer fit for purpose and has no meaningful future.

5.5.4 V4 consultancy, in 2014, assessed that the Ashton site had a realistic life expectancy of 10 years.

5.5.5 DTZ report that refurbishing this building would be costly (approx. £2.15million), would only give limited future life to the buildings and facilities, would not meet the future expectations of members and would not facilitate the development and delivery of a transformational approach focussed upon 'wellness' and improving the health of the local population.

- 5.5.6 Active Tameside report that the gradual decline of the building has underpinned a reduction in membership, a lack of market competitiveness and an emergence of this as a loss making facility.
- 5.5.7 Active Tameside report that a failure to remedy the situation with a degree of urgency, will ultimately lead to the permanent loss of members and a deteriorating financial situation.
- 5.5.8 The closure will enable the subsidy to be reduced by £0.011 million per year from the point of closure.
- 5.5.9 It is proposed that this site is considered for closure subject to consultation with key stakeholders and members of the public
- 5.5.10 It is proposed that this Centre remains open until the launch of a new Tameside Wellness Centre.

5.6 Active Dukinfield:

- 5.6.1 The current Dukinfield site generates an overall annual subsidy cost of £ 0.142 million.
- 5.6.2 The current backlog maintenance liabilities for this site total £0.923 million.
- 5.6.3 Both DTZ and V4 Consultancy assessed that the current facility is no longer fit for purpose and has no meaningful future.
- 5.6.4 V4 consultancy, in 2014, assessed that the Dukinfield site had a realistic life expectancy of 2 years.
- 5.6.5 V4 consultancy also assessed that refurbishment of this site would not provide value for money and was not a viable option to progress.
- 5.6.6 DTZ assessed that this site was in very poor condition throughout, did not fully comply with a range of statutory requirements, and was at ongoing high risk of failure at a building, mechanical and electrical level.
- 5.6.7 DTZ report that refurbishing this building would be costly (approx. £2.76million), would only give limited future life to the buildings and facilities, would not meet the future expectations of members and would not facilitate the development and delivery of a transformational approach focussed upon 'wellness' and improving the health of the local population.
- 5.6.8 It is the assessment of Active Tameside and the Council, that this site is at an ongoing risk of catastrophic failure which could render this building and / or the facilities unusable either for a significant period of time or permanently.
- 5.6.9 It is proposed that this site is considered for closure subject to consultation with key stakeholders and members of the public.
- 5.6.10 The closure will enable the subsidy to be reduced by £0.092 million per year from the point of closure.
- 5.6.11 The closure will also remove the backlog maintenance liability of £ 0.923 million.
- 5.6.12 It is proposed that this Centre remains open until the launch of a new Tameside Wellness Centre.

5.7 Active Denton:

- 5.7.1 According to DTZ, the current Denton site generates an overall annual subsidy cost of £ 0.168 million.
- 5.7.2 The current site has backlog maintenance liabilities totalling £ 0.887 million.
- 5.7.3 Both DTZ and V4 Consultancy assessed that the current facility is no longer fit for purpose has no meaningful future, and is reaching the end of its design life.
- 5.7.4 V4 consultancy, in 2014, assessed that the Denton site had a realistic life expectancy of 5 years
- 5.7.5 V4 consultancy also concluded that:
- Active Denton is constrained by its location and any future refurbishment would not deal with infrastructure and building footprint issues.
 - The cost of refurbishment would be approximately £2.8million and would not provide value for money as it would not increase participation significantly due to the constraints identified above.
- 5.7.6 DTZ assessed that this site was in very poor condition throughout, did not fully comply with a range of statutory requirements, and was at ongoing high risk of failure at a building, mechanical and electrical level.
- 5.7.7 DTZ report that refurbishing this building would be costly (approx. £2.67million), would only give limited future life to the buildings and facilities, would not meet the future expectations of members and would not facilitate the development and delivery of a transformational approach focussed upon 'wellness' and improving the health of the local population.
- 5.7.8 It is the assessment of Active Tameside and the Council that this site is also at an ongoing risk of catastrophic failure which could render this building and / or the facilities unusable either for a significant period of time or permanently.
- 5.7.9 It is proposed that this site is considered for closure subject to consultation with key stakeholders and members of the public.
- 5.7.10 The closure will enable the subsidy to be reduced by £ 0.118 million per year from the point of closure.
- 5.7.11 The closure will also remove the backlog maintenance liability of £0.887 million.
- 5.7.12 It is proposed that this Centre remains open until the launch of a new Tameside Wellness Centre.

5.8 Development of a multi-purpose Tameside Wellness Centre:

- 5.8.1 It is our local ambition to support a 'sea change' in the local attitude towards Sports and Physical Activity and to mobilise the entire Tameside community.
- 5.8.2 This builds upon the Greater Manchester Public Service Reform aspirations embedded within the GM Moving ambition for a social movement, and the GM Physical Activity Blueprint:

<http://www.greatersport.co.uk/get-active/greater-manchester-moving>

5.8.3 The development of an iconic new Wellness Centre which combines a traditional sports centre offer with a wider range of services to encourage local residents to lead healthier lifestyles is viewed as a cornerstone of such an approach.

5.8.4 Such a facility could potentially incorporate:

- A conventional sports and leisure offer including swimming, gym, court and studio facilities;
- New and emerging sports and fitness facilities;
- Services to support wider lifestyle changes such as smoking cessation, weight loss and alcohol reduction;
- Health and Social Care services;
- Early Years provision and Children's Activities;
- A 'hub' for the borough-wide sports and leisure 'offer';
- Functional spaces for community groups and voluntary and community sector partners.

5.8.5 There is no consensus views at this stage on the likely cost of such a facility as it steps outside the traditional approaches, such as those identified in the Sport England Affordable Sports Centre guidance:

<http://www.sportengland.org/media/178920/affordable-sports-centres-2013.pdf>

However, in terms of scale, the aspiration is for a centre which builds upon the core footprint of an Option 4 facility as identified in the above guidance. Sport England provide an estimated cost of £7.897million.

The V4 consultancy report suggested an indicative budget of £10.954 million. It is proposed that this higher figure is earmarked.

5.8.6 Active Tameside have undertaken indicative modelling which projects that such a facility could generate an annual surplus of £0.562 million, allowing the Council revenue commitment to be reduced by a commensurate amount from 2019/20.

5.8.7 The figure of £0.562 million is based upon an optimal site selection in terms of commercial viability and high levels of displacement of existing demand.

5.8.8 The Council have also assessed that such a facility, if situated in the right location, could serve as a stimulus for wider regeneration and the creation of 300 new jobs.

5.8.9 Identifying the most appropriate site for the Tameside Wellness Centre is of paramount importance to ensuring maximum health and deprivation impact, maximum revenue generation, and maximum wider economic benefit.

5.8.10 The assessment of sites should include sites under Council ownership, and sites that are not, if they provide a more compelling business case.

5.8.11 It is proposed that stakeholders and members of the public are consulted on proposals to develop a Tameside Wellness Centre, upon potentially suitable locations, and upon the principles on which to base a final decision.

5.9 Ensuring sufficient swimming and leisure capacity in Tameside

- 5.9.1 The proposals to rationalise 3 sites into 1 would reduce the overall availability of water space within Tameside which would have a detrimental impact upon school swimming and swimming lessons for children and young people.
- 5.9.2 V4 consultancy assessed that such a proposal alone would leave pockets of unmet demand.
- 5.9.3 A number of options were assessed to mitigate against this risk and the most operationally and economically viable proposal is to extend the current swimming facilities at Active Hyde to incorporate a 6 lane x 25 metre swimming pool.
- 5.9.4 This has been project to cost £2 million to implement.
- 5.9.5 The proposals to reduce from 3 to 1 would also reduce the availability of gym and sport hall facilities in the non-Wellness Centre areas.
- 5.9.6 Whilst establishing a full new leisure offer in all of the affected areas is not affordable, it is suggested that £3.5 million be earmarked for the implementation of appropriate mitigation measures in the non-Wellness Centre areas.
- 5.10 The closure of the identified sites will undoubtedly generate significant concern amongst stakeholders, including the Public, but represent a key tenet of developing a sustainable leisure facilities portfolio and increasing local participation, whilst reducing the current subsidy.
- 5.11 The proposals identified above will lead to a net financial shift of up to £0.783 million per year from 2019/20 (£0.221million through the closure of loss making facilities and £0.562million through the projected profitability of the Tameside Wellness Centre).
- 5.12 This is predicated on securing an optimal site, with reduced levels of profitability associated with a sub-optimal choice of site, thus affecting the overall revenue impact of the proposals.
- 5.13 These proposals also allow for the avoidance of £2.4 million in backlog maintenance.
- 5.14 As is evidenced in 5.11, the proposals relating to facilities rationalisation and the development of a Wellness Centre are fundamental to the future of Active Tameside and the financial modelling of future Tameside Council investment.
- 5.15 In summary, the core proposal in relation to the Leisure Estate is:
- Closure of Active Ashton, Active Denton and Active Dukinfield
 - Building a Tameside Wellness Centre to service the needs of residents of Ashton, Denton and Dukinfield, as well as the wider Tameside population.
 - Installation of a second swimming pool at Active Hyde
 - Implementation of mitigation in at least one of the non-Wellness Centre sites.

6 TRANSFER OF ASSETS

- 6.1 Active Tameside currently holds a 25 year lease of the properties within the sports and leisure portfolio. The lease expires on 31 March 2024, however the Council or Active Tameside can terminate the whole or part of the lease at any time on 6 months' notice in writing.

- 6.2 The limited remaining term of the lease arrangements restricts Active Tameside's ability to undertake borrowing against the assets although this must also be seen in the context of its current financial standing.
- 6.3 The term also hinders their ability to enter meaningful long term negotiations with utilities providers. This limits the potential for reducing running costs, but there are further options to explore around this including potential utilisation of the AGMA framework contracts for energy, and investing in more energy efficient facilities and equipment.
- 6.4 During the review, the potential to transfer the assets to Active Tameside has been explored as a means of increasing their attractiveness as an investment proposition and reducing the Council maintenance liabilities. However, the transfer of assets is not proposed at this stage due to the considerable complexities that would surround such an activity.
- 6.5 The Council has a statutory duty to obtain the best consideration that can reasonably be achieved. A disposal at an undervalue is permissible in circumstances where the General Disposal Consent is applicable, the undervalue is less than £2m and a business case is established which confirms that the proposal benefits the economic, social or environmental wellbeing of the area. Any undervalue will also be subject to the state aid regime which prevents aid which favours undertakings which have the potential to affect trade.
- 6.6 This should remain a future aspiration, which should be subject to further detailed exploration.
- 6.7 Consideration has been given to extend the term of the current leases. However this alone will not overcome the difficulties faced in securing finance and could increase procurement risk as the lease is the grounds of exclusivity under which Active Tameside are the sole provider.

7 PUBLIC HEALTH REVENUE INVESTMENT

- 7.1 At present, in addition to the subsidy, the Council through the Public Health Grant invests £400,000 per year towards Active Tameside to enable a transformational shift towards utilising sports and physical activity as a means of improving population wide health and reducing health inequalities. £ 0.100 million of this investment is recurrent and £ 0.300 million of this is non-recurrent on a 3 year basis commencing in 2015/16 and also committed for 2016/17 and 2017/18.
- 7.2 It is proposed that from 2016/17, the current set of agreements is replaced with an outcome based agreement with an overarching set of measures tied to the improvement of population wide health through the provision of sports and leisure services via the local leisure estate.
- 7.3 Key elements of such a contract would relate to:
- Improvements in the levels of activity amongst the Tameside population;
 - Reductions in the levels of inactivity amongst the Tameside population;
 - Impact on the activity levels and health of the most deprived Tameside communities;
 - Impact relating to early years, long term conditions and older adults.
- 7.4 The Council has power under s19 (1) of the Local Government (Miscellaneous Provisions) Act 1976 to provide recreational and leisure facilities and under s19(3) to contribute by way of grant or loan towards the expenses incurred or to be incurred by any voluntary

organisation in providing those facilities. Active Tameside constitute a voluntary organisation for the purposes of the act.

- 7.5 Services linked to the current leisure estate paid under powers of s19 will amount to a services concession contract, the letting of which is detailed in paragraph 8 below.
- 7.6 It is also proposed that this Public Health investment in Sports and Physical Activity be incorporated into the pooled budget arrangements underpinning the emergent Integrated Care Organisation with a view to enabling the future maintenance or increase of investment through the sharing of the investment across Tameside and Glossop Clinical Commissioning Group and Tameside Foundation Trust. This will be subject to separate governance.
- 7.7 Such a step would represent a fundamental progression towards the transformation of Active Tameside and the role it plays as an enabler of positive health and preventer of ill health across the Tameside community.
- 7.8 It is assessed that Active Tameside are in a strong position to work with the Council to deliver this transformational agenda.
- 7.9 Since the inception of a new Management Team and Board in 2011, Active Tameside have undertaken large scale organisational reconfiguration and development to optimise levels of impact, efficiency and effectiveness. Examples to support this include:
- Tameside Council commissioned consultants (V4) assessed Active Tameside as being in the top quartile, compared with other single contract Trusts, in terms of effectiveness and efficiency.
 - Since 2011, Active Tameside have recovered an operating deficit of £1.2 million, whilst also delivering an accumulated net management fee reduction of £ 0.600 million.
 - Active Tameside have already begun to develop and deliver services that go beyond the scope of conventional leisure facility operators, including services targeting the inactive and those with long term health conditions, services for adults with disabilities and people in need of day care (which have delivered a saving of £0.240 million per year to the Council) and services to schools and special schools which engage over 7000 children per week.
 - Active Tameside have twice been national finalists in the UK Active Leisure Industry Awards for 'innovation in service development' and 'impact'.
 - Significant income and service growth has been achieved to maintain reductions to the management fee and simultaneously manage increasing budget pressures. This growth includes doubling fitness members from 3500 to over 7000, 30% growth in community learn to swim from 2800 to 4000 participants per week, and the management of school sports facilities.
 - Active Tameside has drawn inward investment, including £350K from the Sport England 'Get Healthy Get Active' fund for which Active Tameside is one of only 16 organisations nationally to be awarded the grant and the only organisation in Greater Manchester.
 - Active Tameside have designed and delivered capital developments to improve facilities and drive income and efficiency including Copley Cycle Studio, disestablishment of Active Longdendale and the seamless transfer of gymnastics to Active Ken Ward, the Oxford Park gym extension and Sky High at Active Medlock

which is a contemporary package of attractions made possible by bespoke innovative design solutions which are unique to Tameside.

- They have cultivated strong relationships with other key Tameside provider organisations including New Charter, Pennine and CVAT and are a well-regarded part of the wider Tameside Partnership, and are also have strong relationships with regional and national strategy and funding bodies.

7.10 Active Tameside have also worked closely with the Council on the outline development of these proposals even though they pose some significant challenges for them as an organisation.

8 PROCUREMENT OPTIONS

8.1 When Tameside Sports Trust was created in 1999 the Council granted a 25 year lease of various leisure facilities. In addition to the leases the Council provided a subsidy in reliance of sections 19(1) and 19(3) of the Local Government (Miscellaneous Provisions) Act 1976. This enabled a local authority to provide recreational and leisure facilities and to contribute by way of grant or loan towards the expenses incurred or to be incurred by any voluntary organisation in providing those facilities. The Council recognised that the funding arrangements equated to the provision of services for VAT purposes.

8.2 At the time the Trust was created, the Council was subject to minimal procurement requirements. The Public Services Contracts Regulations 1993 which were replaced in 2006 by the Public Contracts Regulations 2006 both classified leisure services as Part B Services meaning they were not subject to the full EU procurement regime. The Council could therefore make a direct award by way of annual funding agreement. On 26 February 2015 the Public Contracts Regulations 2015 came into force. The 2015 regulations introduced a light touch regime in place of part B services which requires any contract for Social or Other Services, a definition which includes leisure services, to be let following an advert in the Official Journal of the European Union and for there to be an award process which accords with the principles of transparency and equal treatment of economic operators.

8.3 Retain the relationship with Active Tameside and develop a financially and operationally sustainable long-term business model.

8.3.1 The Council has a longstanding relationship with Active Tameside which has developed over many years. The relationship with Active Tameside is well developed with performance being good despite financial difficulties as a result of the financial climate, the fact that the Active Tameside only holds one local authority contract preventing it from reducing overheads and despite an aging leisure estate.

8.3.2 The nature of the current arrangements involve in part a service concession which is a contract under which the consideration given consists of or includes the right to exploit the service or services to be provided under the contract. In this case that is members of the public paying to attend the leisure centres. Regulation 117 of the Public Contracts Regulations 2015 specifically excludes Public Services concessions from the application of the regulations. Whilst the contract is not subject to the 2015 rules, the Council must act in accordance with its obligations under the EC Treaty and let the public services concession contract in an open transparent and fair manner. The Council can argue that the arrangements for its leisure estate do not involve cross border activity and therefore the EC treaty obligations do not arise. To exercise this option the Council would need to act promptly as the Government is currently undertaking consultation on a new Concession Contract Regulations which are to come into force from April 2016. This will require a procurement exercise to be undertaken.

8.4 Procure a leisure and/or provider of wellbeing services

- 8.4.1 In accordance with the requirements of the light touch regime under the Public Contracts Regulations 2015 the Council could undertake a procurement exercise or exercises to procure a service provider to provide the services. Active Tameside would be entitled to participate in the procurement exercise, and being the incumbent supplier would be a strong contender however its current financial standing, and position as a smaller voluntary sector operator, may be detrimental to its chances of success. The Council would need to exercise the break clause in the lease which requires either party to give the other 6 months notice.
- 8.4.2 Discussions have been had with another AGMA authority that has recently undertaken such a procurement exercise following rationalisation of its leisure estate. The lessons learnt are that such a procurement exercise was both time consuming and resource intensive. The local trust was the successful tenderer and resulted in limited investment and a better contractual arrangement.

8.5 Conclusion of procurement options

- 8.5.1 Based upon the above options, it is recommended that the Council rely on the fact that the current arrangements comprise a service concession contract and award an interim 12 month contract for 2016/17 to ensure continuity of the services.
- 8.5.2 There is a further aspiration to award a long term contract to Active Tameside for a period co-terminus with the leases upon completion of the stakeholder consultation and the final Key Decision in March 2016.
- 8.5.3 Whilst the eventual term of the contract would be long term it would be subject to an annual review of the subsidy payable, performance obligations and the usual termination provisions.
- 8.5.4 Whilst 8.5.1 and 8.5.2 are the preferred options of the Council, if the terms or value of the contract are not acceptable to Active Tameside then the Council, in accordance with the requirements of the light touch regime under the Public Contracts Regulations 2015, could undertake a procurement exercise or exercises to procure a service provider to provide the services.

9 EXISTING DEBT LIABILITIES

- 9.1 Active Tameside currently has outstanding debt liabilities (including interest) to the Council of £4.826 million (prior year facility and equipment investment). This liability is scheduled to be fully repaid by 31 March 2025.
- 9.2 Consideration has been given to the treatment of these debt liabilities and whether they could be absorbed by the Council to assist Active Tameside's financial status.
- 9.3 One option would be for the Council to write off the existing debt owed. Given the Council utilised prudential borrowing to fund investment, it would need to fund the repayment itself. This is not sustainable given the significant efficiency savings which the Council has to deliver over the immediate future. It is likely there would also be an additional premium levied for any early repayment of debt. As such, this option will not be progressed.
- 9.4 The Council could look to offset the debt repayment from the subsidy paid to Active Tameside and remove the anomaly of the Council providing a subsidy from which it then repays itself. This may result in small administrative savings. However it would remove a

significant amount of gross income recorded within Active Tameside's accounts and would not wholly repay the actual outstanding debt liability itself. The debt would remain a liability of Active Tameside under the existing repayment terms. As such, this option will not be progressed

- 9.5 Elected Members should note that the failure of Active Tameside as a going concern would render the Council liable for any outstanding debt payments. As such, it is in the interests of the Council to ensure that Active Tameside remains a financially viable organisation.
- 9.6 Elected Members should also note that the Council acts as a guarantor to an outstanding equipment lease repayment (total value of £ 0.848 million). The annual repayments (£0.170 million) are scheduled to be completed by Active Tameside by 31 March 2020. The Council would be liable for any repayments during this period on default by Active Tameside.
- 9.7 It is therefore proposed that the existing debt liabilities continue to be repaid to the Council by Active Tameside and that the end of these arrangements on a gradual basis from 2023/24 is factored into the long term reduction in subsidy and the overall long term financial modelling.

10 MATCH FUNDING OPPORTUNITIES / INWARD INVESTMENT

- 10.1 Until a Key Decision is taken, it is not feasible to formally secure match funding, but there is an aspiration to diversify the sources of investment into Active Tameside, thus further reducing the long term Council revenue commitment.
- 10.2 There would be an increased expectation that Active Tameside, supported by the Council, takes responsibility for increasing inward investment from other sources.
- 10.3 This could be capital investment from Sport England or other national funding bodies and this will be actively pursued following the final decisions outlined in this report.
- 10.4 There is also a growing evidence base nationally of Clinical Commissioning Group investment in Sports and Physical Activity given the clear impact upon both popular wide health and specific conditions – particularly Long Term Conditions, Mental Health and Falls Prevention. It should be our aspiration to pursue this opportunity through the new Tameside Integrated Care Organisation as part of a system wide strategic response to maximising the role of Sports and Physical Activity in preventing ill health as detailed in paragraph 2 of this report.
- 10.5 Within another AGMA authority, a new Sports Facility is being developed by a housebuilder as part of a large housing development, and at no cost to the Council. The facility once developed will transfer to the local Sports and leisure provider. Given the ambitions that Tameside have in relation to housing growth, this is an option that could be further explored in the future.
- 10.6 As a registered charity, Active Tameside should be more ambitious in its approach to attracting inward investment from a wider range of sources and this is reflected within the proposed subsidy reduction plan detailed in paragraph 14.3 (Table 2).
- 10.7 It is unlikely once the costs associated with demolition and disposal are met, that the closed sites at Denton, Dukinfield and Ashton will generate a significant residual capital receipt for the Council.

11 PARTNERING ARRANGEMENTS

- 11.1 A key feature of this report was the exploration of the proposed future business model for Active Tameside with a particularly focus on the options of partnering and procurement.

- 11.2 It is not within the 'gift' of the Council to 'procure' a partner for Active Tameside and, as such, Active Tameside has taken steps to assess the feasibility of this approach.
- 11.3 Whilst potential partners do exist, there is a reluctance to commit to revenue or capital investment at this stage given the lack of certainty around the estate and the short and medium term financial standing of the organisation. As such, there are limitations to the attractiveness of this option at this point in time.
- 11.4 However, there should be a continued ambition for Active Tameside to proactively seek partnering opportunities, although this is no longer seen as a pre-requisite for Active Tameside becoming financially sustainable under the proposals identified within this report.
- 11.5 As such, any future partnering arrangement would remain within the 'gift' of Active Tameside, would be more about 'added value' than about 'survival' of the organisation, and would be against the backdrop of a more financially sustainable organisation running an attractive sports and leisure estate with capacity for future growth, thus enabling Active Tameside to secure the best possible terms.

12 COMMERCIAL OPPORTUNITIES

- 12.1 The recent Sky High Development at Active Medlock has highlighted the opportunity to promote sustainability through the investment in new developments which can generate a commercial return on investment.
- 12.2 Such opportunities require a good understanding of the current marketplace, an awareness of emerging trends and the use of the Active Tameside infrastructure to deliver new developments.
- 12.3 The Council should retain a position whereby it supports such growth as an enabler of both financial sustainability and wider health improvement.
- 12.4 Active Tameside have identified a possible early implementer project in the form of an Active Adventure Play Centre at the closed Active Longdendale site which would cost c £0.500 million to mobilise, but would generate an estimated cumulative profit of £0.670million over the remaining lease period, thus providing a return on investment which would be removed from the subsidy as detailed in paragraph 14.2 (Table 1).
- 12.5 The cost of mobilisation at Active Longdendale would be met via financing provided by the Council to Active Tameside. It should be noted that this investment will be wholly repaid to the Council by Active Tameside and will be included within the business plan for the proposal
- 12.6 In addition, it is proposed that Active Tameside take more proactive steps to increase their school and college portfolio although this has not been factored into the future revenue reduction proposals due to this type of activity being more about health impact and profile, than about income generation.

13 MAINTENANCE OF THE REMAINING ESTATE

- 13.1 Under the terms of the existing lease, the Council's only covenants are to allow Active Tameside quiet enjoyment of the properties and not to elect to waive the exemption in respect of VAT. The onerous aspect of the lease is that although the tenant occupies the entirety of the property they are only required to repair internal parts. Active Tameside is not responsible for the structure of the buildings and whilst there is a covenant to repair plant and machinery this does not extend to replacing those items.

- 13.2 During 2016/17, 2017/18, and 2018/19 there will be a requirement to continue to undertake routine maintenance at Active Denton, Active Dukinfield and Active Ashton. It has been assessed that £0.111 million should be earmarked towards this. This is already within the maintenance budget. This figure will enable essential maintenance and backlog repairs to take place, but will not resolve the outstanding maintenance and repair issues that could lead to catastrophic failure. It is therefore important to note that, without additional significant investment these sites may experience such failure at any time during this transformation project leading to their enforced closure ahead of schedule.
- 13.3 Whilst the proposals detailed in this report provide opportunities to reduce the subsidy provided by the Council to Active Tameside, there is also a need to ensure adequate continued investment to enable the maintenance of the remaining estate which, whilst leased to Active Tameside, remains a Tameside Council asset and with the Council continuing to exercise landlord responsibilities as set out within the lease arrangements.
- 13.4 The remaining estate is in significantly better condition than Dukinfield, Denton and Ashton, and has a significantly long life expectancy.
- 13.5 However, the lack of reserves within Active Tameside, and the financial challenges facing Tameside Council, have generated a cumulative backlog of repairs and maintenance for the remaining sites totalling an estimated £1.589 million.
- 13.6 The current annual revenue budget allocated for ongoing maintenance and repairs of the leisure estate is £0.050 million which is insufficient to meet the most basic routine maintenance activity, and does not enable responsiveness to new repairs or larger scale challenges.
- 13.7 Without an increase in the annual revenue budget, the backlog maintenance will continue to escalate, and the risk of failure at the remaining sites will increase.
- 13.8 Some of the backlog maintenance requirements reflect routine maintenance and refurbishment, but some is for more significant repairs which, if not undertaken, jeopardise the future functionality and profitability of the remaining facilities. Examples of this include the Wave Machine at Active Hyde, the synthetic pitch surfaces at Active Copley, and the need for a replacement roof at Active Medlock.
- 13.9 Failure to invest at this stage would be counter-productive as it will store up more significant and potentially catastrophic problems for the future, and jeopardise the future of these remaining facilities.
- 13.10As such, two steps are being proposed:
- 13.10.1 A 2016/17 programme of initial capital investment totalling £0.357 million is proposed to enable:
- The replacement of the synthetic pitch surfaces, repairs to pitch drainage and upgrading the astroturf fence panels at Active Copley (£0.177 million)
 - The replacement of the roof at Active Medlock (£0.120 million)
 - The replacement of the wave machine at Active Hyde (£0.060 million)
- 13.10.2 The current annual revenue repair and maintenance budget managed by the Council is proposed to increase to £0.100 million (from £ 0.050 million) from 2016/17 on a recurrent basis.

Inward Investment	0.050	0.100	0.100	0.200	0.200	0.250	0.250	0.250
Total Reduction	0.090	0.190	0.653	1.145	1.145	1.195	1.195	1.402
Approved Council Efficiency Savings Required	0.350	-	-	-	-	-	-	-
Balance of Recurrent Efficiency Savings Required via Public Health Revenue Budget	0.260	-	-	-	-	-	-	-

14.4 The assumptions underpinning this financial modelling are predicated upon a number of variables which will be subject to a final Key Decision on 23 March 2016. As such, this modelling remains subject to change.

14.5 The proposed capital investment programme (excluding the Wellness Centre) is projected to total £5.857 million.

14.6 Consideration should be given to potential recovery of this liability from Active Tameside over the longer term as the organisation delivers a sustainable business model. This will require careful monitoring during the proposed initial 8 year contract period.

14.7 The current projected cost of a new Wellness Centre is £10.954 million (it should be noted that this cost is at current price projections and is subject to change due to inflationary market conditions).

14.8 Elected Members are reminded that the 2015/2016 Council budget approved on 24 February 2015 included a capital programme investment of £ 8.410 million for a new Active Tameside Centre. However this investment was approved on the basis that this would be wholly recovered from Active Tameside. Agreement is now being sought on the basis that this is unlikely to be recovered from Active Tameside and that the investment should instead be considered as a Council liability aimed at reducing physical inactivity and reducing health and social care demand through physical activity both now and in the longer term.

14.9 Additional resources towards the cost of a new Tameside Wellness Centre together with the investments detailed in paragraph 14.11 (table 3) should be considered from a variety of sources to reduce the proposed Council liability. These include Sport England, Clinical Commissioning Group, GM Devolution etc.

14.10 The total proposed capital investment figure is £16.811 million.

14.11 Table 3 provides a summary of the capital investment proposals :

Table 3

	New Tameside Centre	Maintenance and Repairs Programme	Extension to Active Hyde	Mitigation in non-Wellness Centre Areas	Total
	£ m	£ m	£m	£m	£m
Estimated Cost	10.954	0.357	2.000	3.500	16.811
Council Approved Capital Programme Investment	8.410	0	0	0	0
Active Tameside Repayment	(8.410)	0	0	0	0
Additional Investment via external sources	tbc	tbc	tbc	tbc	tbc
Capital Investment To	10.954	0.357	2.000	3.500	16.811

Be Approved					
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14.12 In summary, the core proposal in relation to the Leisure Estate, and upon which much of the future revenue reduction is predicated is:

- Closure of Active Ashton, Active Denton and Active Dukinfield
- Building a Tameside Wellness Centre to service the needs of residents of Ashton, Denton and Dukinfield, as well as the wider Tameside population.
- Installation of a second swimming pool at Active Hyde
- Implementation of mitigation in at least one of the non-Wellness Centre sites.

14.13 The appropriate financing option of the capital investment will be determined once the outcome of the relevant consultation is known.

14.14 In addition, it is worth reiterating that physical inactivity in Tameside costs at least £21.5million per year in terms of ill health, avoidable social care need, and a loss of economic productivity. Utilising an improved estate to enhance the local physical activity 'offer' and move Tameside to the national average for physical activity would generate estimated savings of £2.6 million per year, £20.8 million during the 8 year contract duration, or £59.8 million over the extended 23 year borrowing period.

14.15 It is also worth noting that these proposals will enable the avoidance of £2.4million in backlog maintenance.

15 RECOMMENDATIONS

15.1 As detailed on the report cover.