

To: Cabinet
Date: 10 July 2024
Report of: Executive Director (Communities and People) and the Head of Financial Services
Title of Report: Leisure Investment Programme

Summary and recommendations	
Purpose of report:	To seek approval for a programme of improvements at the City Council’s leisure facilities
Key decision:	Yes
Cabinet Member:	Councillor Chewe Munkonge, Cabinet Member for A Healthy Oxford and Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management
Corporate Priority:	Support Thriving Communities
Policy Framework:	Thriving Communities Strategy 2023-27

Recommendations: That Cabinet resolves to:	
1.	Grant project approval for the Leisure Investment Programme at Appendix 1;
2.	Recommend to Council the approval of an additional capital budget of £1.04 million, above the £2million already agreed in the capital programme necessary to deliver the Leisure Investment Programme;
3.	Delegate authority to the Executive Director (Communities and People) in consultation with the Cabinet Member for A Healthy Oxford; the Deputy Leader (Statutory) - Finance and Asset Management; the Head of Finance/Section 151 Officer and the Head of Law and Governance to agree the terms of the legal agreement with Serco Leisure (“More Leisure) to govern payment of the monies for the Leisure Investment Programme; and
4.	Delegate authority to the Executive Director (Communities and People) in consultation with the Cabinet Member for A Healthy Oxford; the Deputy Leader (Statutory) - Finance and Asset Management and the Head of Financial Services/Section 151 Officer to determine any additional opportunities to reinvest the funds if any monies remain following delivery of the Leisure Investment Programme, whilst ensuring no detrimental impact to the Council’s return on investment.

Appendices	
Appendix 1	Leisure Investment Programme
Appendix 2	Equalities Impact Assessment
Appendix 3	Risk Register
Appendix 4 (Confidential)	Financial Appendix

Introduction and background

1. On 24 January 2024 Cabinet resolved to award a ten-year contract (with a five-year extension option) to Serco Leisure, operating through their subsidiary 'More Leisure', for managing and developing the Council's three leisure centres, as well as Hinksey Outdoor Pool and the Oxford Ice Rink. This was subject to officers completing necessary due diligence and pre-contract negotiations. As part of the contract, invest to save works were stipulated for Serco Leisure ("More Leisure") to undertake and these form part of the management fee that the Council will receive.
2. Necessary due diligence and pre-contract negotiations were completed satisfactorily and the contract with Serco Leisure was sealed on 27 March 2024.
3. More Leisure has started in a positive way on contract delivery with only a few teething issues in-line with the expectations of mobilising a contract of this size and nature. More Leisure are now keen to move forward with the proposed Leisure Investment Programme.
4. More Leisure have produced the Leisure Investment Programme and phasing for consideration, please see appendix 1. The Programme is the expert opinion of More Leisure and is based on the condition of equipment/ facilities and based on the response to Oxford's needs shown within the tender documents, including ensuring that the contract and our facilities are sustainable in the long term. It includes new exciting additions such as state of the art inflatables for each of the swimming pools.
5. We are seeking approval for additional capital budget of £1.04 million, above the £2million already agreed in the capital programme, which would give a total of £3.04 million. This would be paid to More Leisure on terms to be agreed. The return on investment from the investment schemes will be realised through the management fee in line with the contract. As the finer details of what schemes might entail were not known at the point of procurement, the contract requires payment terms to be agreed with More Leisure, as such a connected but separate agreement is required. Delegation is sought for terms to be agreed by the Director for Communities and People in consultation with the Cabinet Member for Healthy Oxford, Finance and Asset Management, Head of Finance [Section 151 Officer] and Head of Law and Governance.
6. The allocation of the funding for the schemes needs to be approved by the Council. However, the income and expenditure associated with the schemes has been included by More Leisure as part of their tender submission and included in the average management fee that they will be paying the Council. Should the projects not take place, or if the Council wants to make changes to the recommended scheme, then the average management fee payable to the Council is likely to be reduced accordingly.

7. More Leisure will be responsible for delivering the improvements with the Council in place as client. The governance for this will be through our weekly maintenance and improvement meetings that are chaired by Oxford City Council and include relevant More Leisure staff with technical and operational responsibilities. It also includes senior officers from Property Services, Community Services, Environmental Sustainability and the Construction Design and Management (CDM) team.
8. There has been some engagement with users on the proposals, most notably with squash court users at Ferry Leisure Centre who were concerned about the potential loss of two squash courts. As a result of this More Leisure have adjusted their plans to retain and refurbish two of the three squash courts, with the third remaining court that is not in use being converted into a spin studio.
9. In addition, there has also been engagement with the roller derby sports club at the Leys Leisure Centre. The club use the whole sports hall and would be impacted by the development of half of it. More Leisure continue to work with the club regarding options.
10. Should there be any club, group or individual negatively affected by any of the proposed developments then More Leisure will work with them to look at alternatives or other prospective options on a case-by-case basis. The aim is to drive higher usage of the leisure centres, bringing positive benefits to users and the wider community.

Improvement Programme

11. Most of the improvements are centred around the replacement and improvement of the gym facilities, gym equipment and spin bike facilities across Ferry Leisure Centre, Leys Leisure Centre, and Barton Leisure Centres. This will help improve the experience for citizens by bringing these spaces up to a modern standard and enabling better digital interactions with users to enable them to better understand their fitness progress.
12. Other key improvements include proposals to develop half of the sports hall at the Leys Leisure Centre into soft play including Tag Active (which is a structure of interconnected areas that test strategy, agility, speed, and awareness). The sports hall is generally underutilised in the day and these changes will better target families, children, and those who might not typically be active.
13. At Ferry Leisure Centre, More Leisure are proposing to refurbish the squash courts and to improve the changing facilities within the centre. The changing facilities are currently poor quality and receive higher numbers of complaints.
14. It is proposed that Ferry Leisure Centre, Barton Leisure Centre, Leys Leisure Centre and Hinksey Outdoor Pool will each have a new state of the art inflatable.
15. It is also proposed to install Artificial intelligence (AI) powered drowning detection equipment to support lifeguards at the Leys Leisure Centre. This aligns strongly with the desire of Oxford City Council and More Leisure to provide safe spaces for our communities to use. The Leys Leisure Centre was chosen because it has the largest swimming space with variable depths and a moveable floor. More Leisure also believe that installing this in the centre will help to increase numbers by providing more comfort and reassurance for potential users within the area, including those who are less physically active.

16. The works are scheduled to start in July after Cabinet and Council approvals and finish in Autumn. The works at the Leys Leisure Centre must safely align with the works being undertaken on the Leys Youth Hub. The More Leisure works may take longer depending on agreement between More Leisure and the contractors, including Oxford Direct Services, on the Leys Youth Hub.
17. More Leisure have included a contingency budget of approximately 15%. To ensure that there is no impact on the management fee being paid to Oxford City Council, More Leisure have asked that any remaining budget be re-invested into the facilities, as such this is proposed to be dealt with in-line with recommendation 4.

Consultation and Communication

18. There will be a programme of communications at each of the centres that will provide information about the developments such as the gym improvements or exciting new pool inflatables, including timescales and any disruption. The communications will take the form of promotional information at each centre, direct mail-outs, social media and press releases.
19. In addition, More Leisure are also intending to undertake consultation on the Leys Leisure Centre's sports hall proposal given that this fundamentally changes the use of the facility. The consultation will include a meet the manager focus session, direct contact with clubs/users affected and seek views through the centre's online contact form.

Health and Safety

20. Where applicable, the council will ensure that our relevant Health and Safety responsibilities, including those under CDM regulations, are safely discharged. However, More Leisure, as the tenant managing the leisure centres, will typically be the client under CDM regulations for any construction works they undertake as part of their operational responsibilities and will be responsible for discharging their obligations under the regulations.

Financial implications

21. Council at its meeting in February 2024 approved an amount of £2m within the Council's capital programme for invest to save works payable equally over the next 2 years and funded from borrowing. Within their bid submission More Leisure identified a requirement of £3.04 million should all invest to save schemes go ahead; the financial return from which has been built into the management fee.
22. This is £1.04 million more than the approved budget included in the capital programme, but the bid also provided for the repayment of the grant and therefore provides a return of monies to the Council which was not anticipated in the Council's published tender requirements. The invest to save grant will provide revenue returns to the council via the management fee as in the tender documentation as shown in the confidential financial appendix. This is forecast as a significant return, being over double the investment, though under the contract terms this may fluctuate over the initial 10 year term.
23. The grant monies will be advanced to More Leisure over a period of time subject to ensuring satisfactory performance of the invest to save schemes. The investment will be repayable in line with the financial model which forms part of the contract with More Leisure over the period of the contract on terms to be agreed by the

Section 151 Officer. Any residual monies will be used for other investment in leisure facilities as agreed with leisure client staff.

Legal issues

24. A legal agreement will be entered into in line with recommendation 3.
25. The terms and conditions of the agreement will align with market conditions i.e. they will not be more favourable to More Leisure in order not to fall foul of subsidy act legislation.

Level of risk

26. A risk register is attached. The key risk to note is that More Leisure have included these improvements in their tender submission and this forms part of the contract. In respect of this any changes to the programme need to be avoided, as they would form a variation to the contract and would negatively impact the management fee that we receive from More Leisure which is based on their business planning.

Equalities impact

27. An Equalities Impact Assessment has been completed at Appendix 3.

Carbon and Environmental Considerations

28. We will look to ensure that the improvements are as carbon and environmentally considerate as they can be. This will include the existing gym equipment being recycled back to the gym equipment companies for future refurbished use elsewhere.

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Background Papers: None

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