

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 5 FEBRUARY 2019

Title of report	PROPOSALS TO ALLOCATE THE LEISURE VAT BENEFITS FROM A FORTHCOMING CLAIM TO HMRC INTO COMMUNITY LEISURE PROVISION
Key Decision	a) Financial Yes b) Community Yes
Contacts	<p>Councillor Alison Smith MBE Tel: 01530 835668 alison.smith@nwleicestershire.gov.uk</p> <p>Strategic Director of Place Tel: 01530 454555 james.arnold@nwleicestershire.gov.uk</p> <p>Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk</p>
Purpose of report	To provide Cabinet with indicative proposals as to how it could allocate the benefits of an impending VAT leisure reclaim towards community leisure, and the process for doing this
Reason for decision	To seek approval to progress the process
Council priorities	Homes and Communities
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	<p>Links to the Leisure Project and Health and Wellbeing Strategy (Background Paper)</p> <p>Highlighted within the report</p> <p>None</p> <p>Will be considered as part of the project management</p> <p>Will be considered as part of the project management</p> <p>None</p> <p>None</p>

Comments of Head of Paid Service	Report is satisfactory
Comments of Deputy Section 151 Officer	Report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	Head of Community Services, Head of Finance, Leisure Services Team Manager, Community Focus Team Leader
Background papers	Cabinet Minutes July 2018 VAT Funding Application Form Recreation Facilities Framework 2017-2021 Health and Wellbeing Strategy 2018
Recommendations	THAT CABINET: 1.SUPPORTS THE PROPOSED PROCESS FOR ALLOCATING THE VAT RECLAIM INTO COMMUNITY LEISURE PROVISION 2. NOTES THAT IT WILL RECEIVE FURTHER REPORTS TO AWARD HIGH VALUE PACKAGES OF FUNDING ONCE APPLICATIONS PROCESSES HAVE BEEN CONCLUDED AND THE VAT BENEFIT SECURED

1.0 Background

- 1.1 A report was taken to [Cabinet in July 2018](#), informing members that, in 2017, the European Court of Justice ruled that local authorities that deliver sporting services should be exempt from Value Added Tax in a number of areas that are currently classed as vatable. In order to do this councils are required to apply for the exemption status and a decision was made at the Cabinet meeting to make a claim accordingly and the claim is due to be submitted at the end of January.
- 1.2 For North West Leicestershire District Council this means that the council should be able to reclaim VAT that has been paid over to HMRC (Her Majesty's Revenue and Customs) for the past four years. The value of VAT over this period equates to approximately £1 million. An application is currently under development and is due to be submitted to HMRC by the end of January 2019. Consultants Ernst and Young LLP have been engaged to assist the Council in making this application and the associated fees (up to £35k) will be funded by the reclaimed VAT.
- 1.3 With the development of the new leisure centre in Coalville and investment into Hood Park Leisure Centre and its future management by a leisure partner, it is recommended that this contribution be used to enhance community leisure provision that will benefit other areas of the district outside of Coalville and Ashby de la Zouch.

1.4 In order to achieve this outcome it is important to consider the strategic context of why community leisure services should be considered for this additional investment.

2.0 STRATEGIC CONTEXT

2.1 North West Leicestershire District Council is predominately a rural district, with a population of 97,200 (Census 2011). The new leisure centre will be in Coalville and will support local residents and the wider community in North West Leicestershire and the investment at Hood Park will also promote increased levels of usage as a result of significant facility reconfiguration. However, many of our communities have poor public transport and therefore having access to other local community leisure provision is essential.

2.2 In addition, there are a number of reports that support the need to provide improved leisure facilities for the wider North West Leicestershire communities as shown below including the Councils priorities focusing on health and wellbeing in the district:

- [NWL Playing Pitch Strategy 2017](#)
- [Recreation Facilities Framework 2017-2021](#)
- [Health and Wellbeing Strategy 2018](#)
- [Council Delivery Plan for 2018-19](#)

2.3 From research there are three areas which would see the greatest benefit from the reclaimed VAT as these are as follows:.

- Ibstock Community College fitness suite
- Measham Leisure Centre fitness suite
- Castle Donington leisure facilities – specifically a fitness suite, full size 3rd Generation pitch and a sports hall

These areas have been identified because of their growing population figures, they are the main centres of an existing community leisure offer, and all are in the current process of being assessed by the facility owners for options to expand their facilities.

2.4 As part of the Council Delivery Plan in 2018/19, a NWL Health and Wellbeing Strategy has been developed. The overall vision of the strategy is '**to measurably improve the health and wellbeing of all people in NWL**'. In order for Leisure Services to help contribute to the strategy vision and outcomes, an aspiration also shared by the 3 facilities, it's important that provision across the district is enhanced which will be achieved by granting funds to them.

2.5 The potential development of Measham Leisure Centre has also been significantly impacted upon through the loss of Section 106 funding due to the proposed HS2 route. Whilst we continue to help the parish council try and mitigate against this loss, the likelihood is that any financial compensation would be low and that the timescale for recompense would only allow the facility to deteriorate even further.

2.6

	Population (est 2017)	Current facilities	Additional information
Ibstock Community College gym (ICC)	6,659	Equipment in reasonable condition and the fitness suite operates out of small portacabin and only has 18 stations. It is classed as a below average facility	See Appendix A
Measham Leisure Centre (MLC)	5,497	A well used facility with a climbing wall and café and meeting room. Increasing demand on the fitness suite facilities with a growing population. The facility is small with only 15 aging fitness stations	See Appendices A and B
Castle Donington Leisure Facilities (CDC)	7,243	Facilities are used but in poor condition. Fitness suite operates out of a small portacabin and is classed as a below average facility with only 13 fitness stations. The astroturf has recently been refurbished to accommodate usage. Increasing demand on the sports facilities with a growing population. In addition limited sport facilities at neighbouring communities.	See Appendices A and C

2.7 Considering the ‘NWL Sport and Recreation Facilities Audit 2017-21’, there is a current unmet demand in all the aforementioned fitness suites that requires additional pieces of equipment in order to be met. More detail can be found in **Appendix A**;

Facility	ICC	MLC	CDC
Unmet Adult Population Demand (people)	174	146	368
Additional Number of Stations Required to Meet Current Demand	7	6	15

2.8 The following points should be considered alongside the table at 2.6-:

- The additional number of stations required will only satisfy current demand and does not take into account future population growth in each of the areas.
- The unmet population demand is based on residents aged 18+. As fitness suites can be used by people aged 14+, the unmet demand will be higher than stated.

2.9 It is proposed that fitness suite provision be the focus of investment from the £1 million, with other projects only being considered if there is an underspend or if fitness suite projects are not considered feasible to deliver.

3.0 PROCESS

- 3.1 In order for this contribution to be provided and monitored the intention is to follow a similar process to the process followed in releasing section 106 contributions (planning obligations). Each of the 3 sites (Measham, Ibstock, and Castle Donington) will be required to complete an application form and present a business case including costings for their proposal. It will be made clear to partners that submissions in the first instance must centre solely on fitness suite provision, and proposals will be considered by the Head of Community Services and the Team Manager of Leisure Services.
- 3.2 Any funding award made will be underpinned by a service level agreement or grant agreement.
- 3.3 The projects will be monitored and payment given once invoices have been provided. Additionally officers will ask for any social media or promotional material to include North West Leicestershire District Council as a funding partner.
- 3.4 It is not proposed to allocate set amounts to each project at this stage, but to consider each proposal on an individual case by case needs basis.
- 3.5 When potential funding amounts that are sufficient to deliver the projects successfully have been agreed, grants will be awarded either by the Strategic Director of Place under delegated powers or by Cabinet (following a further report) depending on the amount of funding proposed.

4.0 FINANCIAL BENEFITS

- 4.1 Currently NWLDC financially supports the community leisure schemes in Ibstock, Measham and Castle Donington through the following methods-:

<u>Ibstock Community College</u>	Annual funding of £15,000 Officer time to manage the facilities All income is retained by the school
<u>Measham Leisure Centre</u>	Officer time to manage the facilities All income is retained by the leisure centre
<u>Castle Donington College</u>	Officer time to manage the facilities Premises costs are paid for by NWLDC All income is retained by NWLDC

- 4.2 The total cost of delivering community leisure in 2018/19 is £111,000, excluding recharges.

4.3 It is proposed that the following financial benefits should be considered and discussed with partners as a condition of any funding award-:

<u>Ibstock Community College</u>	The annual funding of £15,000 is reduced to £0 over an agreed period of time
<u>Measham Leisure Centre</u>	The NWLDC officer managing the facilities is transferred to become a member of leisure centre staff. The current cost is approximately £10,000 per annum.
<u>Castle Donington College</u>	Additional income generated from improvements is used to offset the premises costs. It is anticipated this will be approximately £10,000 per annum.

4.4 Consequently, it is envisaged that there will be an ongoing return on investment into these projects which over a period of time will reduce revenue costs for the council by £35,000 per annum, or by over 30% based on current expenditure levels.

4.5 By developing the community leisure fitness suite provision, it is proposed that a new NWL fitness membership package be developed allowing access at any community leisure facility. This will also be considered alongside the leisure project to identify if any links with the new contractor's membership packages can be made, giving residents a much better joined up offer with significantly improved value for money for them.

5.0 RESOURCE IMPLICATIONS

5.1 Whilst there is a Community Leisure team, their capacity is fully utilised to deliver the current level of operation. It is therefore recommended that an allocation of up to £90,000 of the funding available be ringfenced to cover the cost of a 3 year Community Leisure Development Officer. Whilst the detail of the post is still to be determined, it is envisaged that this will be a 3 day per week post that will be responsible for the following-:

- Supporting partners and stakeholders in the delivery of the projects
- Developing marketing and business plans for the new facilities
- Supporting Community Leisure Managers in the delivery and sustainability of the new facilities
- To develop a new NWL fitness membership package
- Review and revise service level agreements with community leisure partners to accurately reflect community access arrangements for the new facilities

5.2 It should be noted that if Cabinet approve the allocation of the reclaim into Community Leisure, then the authority to create a new post rests with the Chief Executive as Head of Paid Service and consideration will follow the usual internal process.

6.0 FINANCIAL OVERVIEW

6.1 It is proposed the VAT reclaim (subject to final calculations and application to HMRC), is allocated to community leisure in the following manner (after paying for consultancy support costs of up to £35k associated with making the claim):

Upto £90,000	Community Leisure Development Officer
£875,000 or more	Community Leisure Fitness Suite Provision
Underspend	Other Identified Community Leisure Provision

APPENDIX A

NWL Sport and Recreation Facilities Framework 2017-2021

Ibstock Community College Health and Fitness Suite

Facility	Quality ratings	Comments
IBSTOCK LEISURE COMPLEX	Below average	Small health & fitness suite situated in standalone porta cabin.

Population	Adult Population (18+ - est 2017)	Market Penetration (12% as advised by FIA)	Fitness Provision (based on 25 users per station)	Unmet Demand	No of additional stations required to meet current demand
6,201	5,201	624	450	174	7

Measham Leisure Centre Health and Fitness Suite

Facility	Quality ratings	Comments
MEASHAM COMMUNITY AND RECREATION CENTRE	Above average	Small health & fitness suite with limited number of tired stations. Aspiration to extend and replace equipment.

Population	Adult Population (18+ - est 2017)	Market Penetration (12% as advised by FIA)	Fitness Provision (based on 25 users per station)	Unmet Demand	No of additional stations required to meet current demand
5,209	4,344	521	375	146	6

Castle Donington College Health and Fitness Suite

Facility	Quality ratings	Comments
CASTLE DONINGTON COLLEGE	Below average	Limited number of stations but in reasonable condition. Available for community use.

Population	Adult Population (18+ - est 2017)	Market Penetration (12% as advised by FIA)	Fitness Provision (based on 25 users per station)	Unmet Demand	No of additional stations required to meet current demand
6,417	5,771	693	325	368	15

NB – Additional number of stations required will only meet current demand and does not take into account future population growth within the area

Measham Leisure Centre - Proposed Works

Measham Leisure Centre is in the planning stages of a proposal to increase the size and capacity of the health fitness suite at the centre. The proposal is to build an extension onto the existing fitness suite to cater for more fitness equipment and space for conditioning exercises.

Work to increase the capacity of the fitness suite is essential to the development of the Leisure Centre at Measham. The facilities are now running at above capacity with latent (i.e un met) demand, the proposal to build new housing on Leicester Road will only increase further demand.

The proposal is:

To create a c.33 station fitness suite – currently a 15 station fitness suite.

Capacity

In 2011 Wigan Leisure and Cultural Trust (WLCT) were commissioned to undertake a latent demand survey and report back to North West Leicestershire District Council (NWLDC) their findings.

In May 2011 WLCT reported that:

- Measham Leisure Centre has the capacity for 375 members
- There is an estimated 273 members in latent demand
- 80% of the latent demand should be met there is a further 218 members
- The only way to meet the demand is to create a c33 fitness suite.

Please see below extracts from the report submitted by Wigan Leisure Trust

The purpose of the leisure facilities at Measham Community and Recreation Centre, is to support the NWLDC priority of having a healthy fulfilled population. The Council is also committed to ensuring all members of the community have equal access to the services and facilities that the council provides.

However, at present only 22% of the population of North West Leicestershire do the minimum amount of activity required to benefit their health.

The leisure centre have an active role in addressing the issues and whether they could do more to meet these priorities.

Measham Community and Recreation Centre had a latent demand report put together by Leicestershire and Rutland Sport which highlighted a significant opportunity to increase the membership at Measham Leisure Centre.

It would be necessary to invest in the Measham Leisure Centre to create a c.33 station fitness suite which can cater for the community needs.

The supply/demand model

Total estimated demand is 648

Total estimated supply is 375

Supply/demand balance = 273

Divided by 25 (average number of people per station) = 11 deficit on current population

This shows that the number of health and fitness stations across Measham is being out balanced by the total demand generated.

This is calculated using the Fitness Industry Association (FIA) 'market penetration' rate of 12% (estimated national demand in 2009 State of the UK Fitness Industry Report) is used to calculate demand in adult population.

Future Demand

There are no changes in the quantity of supply identified during the consultation within assessment. It would be important however to give consideration to deterioration in quality though over time, particularly for those facilities already assessed as below average, or poor quality. With the development of 300 houses on Leicester Road and Measham population predicted to increase population by circa 1410 between 2015 to 2031. The scenario testing below shows what this increased demand would increase the deficit already identified in the community.

- Current supply/demand = -273
- Future demand = 1,410 x 12% (penetration rate) = 169
- Therefore current supply/demand + future demand = -442
- Divided by 25 = -18 stations (deficit)

This shows that with the development taking place within the community that the total number of health and fitness stations across Measham is being out balanced by the total demand generated.

Supply/Demand balance

Total estimated demand = 11,220 people

Total estimated supply = 8,450 people

Supply/Demand balance = -2770 people

Divided by 25 = -111 stations (deficit). This shows that the total number of health and fitness stations / suites across North West Leicestershire is being outbalanced by the total demand generated.

North West Leicestershire Facilities Framework

Leicestershire and Rutland Sport have produced a facilities framework for North West Leicestershire which identifies what facilities are available in the area and any specific findings for the area related to needs and demand.

One specific objective identified for North West Leicestershire within the plan is to: Seek to deliver the infrastructure needs of the area, including Green Infrastructure, where reasonable to do so and where consistent with delivering sustainable development. It has been identified that the health and fitness facility within Measham Leisure Centre is too small with stations extremely close to each other causing capacity problems, therefore by extending the health and fitness this will support the above objective.

A further objective that the health and fitness suite extension will meet is to: Deliver high quality developments that meet national standards and are of high architectural quality. This objective will be met by the proposed extension of the health and fitness suite, improving upon the facility which is already in place. The first objective of promoting the health and wellbeing of the districts population will also be supplemented by the extension of the health and fitness suite by supporting the need for more fitness stations within the district and specifically within Measham. The plan also identifies how the health and fitness suite is small and as a result has a limited number of stations, as a result of this it identifies how it is a high priority to secure funding for the proposed extension of the health and fitness suite in order to increase the size and improve upon the tired gym equipment.

Currently there is a shortfall of circa 111 fitness stations in North West Leicestershire. There will only be a further deficit with a projected population increase of around 19,000 by 2031, therefore an extension to the Health and Fitness suite at Measham will decrease this identified deficit.

Measham Information

When looking at the Indices of Multiple Deprivation score for Measham South this shows us that the ward is amongst the most deprived in North West Leicestershire, this is the ward for which the leisure centre is located. By extending the gym at Measham Leisure Centre more people within the ward of Measham South will have access and be able to use the facility meaning that deprivation of facilities/services will be decreased. Measham Leisure Centre also operates the Leisure Link membership service which offers discounts to individuals on benefits this will be particularly beneficial to those who suffer specifically from income deprivation for which Measham South ranks as one of the highest in the district. Measham South also has a high percentage of retired population at 20.5% for which again the leisure link offer and an increased capacity will be beneficial for. The 'pay and play' offer provided by Measham Leisure Centre which results in individuals being able to use services without a membership will also be beneficial for those residents who don't want to commit to a membership.

There is also the wider potential benefit associated as a result of the proposed extension that the residents of Measham South will be fitter and be in better health as a result. 6.6% of the population in Measham South consider themselves to be of bad or very bad health, this compares to 5.1% in NW Leics and 5.6% in East Midlands. An extension to the gym at the Leisure Centre will result in more people being able to use the gym at peak times and more people likely to be encouraged to use their local facility.

APPENDIX C

A section taken from “Castle Donington Parish Council, Sport And Leisure Feasibility Study, Draft Report, May 2015”

EXECUTIVE SUMMARY

This is the Executive Summary of Castle Donington Parish Council’s sport and leisure feasibility study, developed by Knight Kavanagh and Page (KKP). We would like to thank the Parish Council and its partners for their support in developing the study and the insight they have provided to the consultant team.

Purpose

The purpose of the study is to assess the needs for new or enhanced sport and leisure facilities within the parish to meet the needs of:

- ◀ A growing Castle Donington population.
- ◀ Increased demand for sports facilities given the projected increase in population.
- ◀ An increase in the number of houses within the parish boundary; anticipated to be in the region of 50%.

The study has been developed in partnership with a range of agencies including the Parish Council, Castle Donington College, North West Leicestershire Council, Leicester-shire and Rutland Sport, a range of national governing bodies of sport (NGBs) and local clubs.

Context

The key themes to be considered within the study were as follows:

- ◀ A credible evidence base of need within the local and wider community to support future decisions on new facilities for sport and physical activity together with any future opportunities for improved partnership working between partners and stakeholders.
- ◀ The outputs from the feasibility study will both provide a robust evidence base to support public scrutiny of the use of the developers’ contributions and provide evidence to support future funding applications for new or upgraded facility provision.
- ◀ Assess effectiveness of the current and planned facility stock and "community offer" made by other relevant sectors (education, voluntary, private etc.).

The study provides KKP’s detailed and independent insight into the development of sport and leisure facilities within Castle Donington. This is based on our expertise and experience of undertaking similar studies across the country.

Outcomes

The key outcomes that the Parish Council is looking to achieve from the investment in sports facilities within the community can be articulated as follows:

- ◀ Enabling residents to be healthy and lead an active lifestyle.
- ◀ Increasing participation within sport and physical activity and in particular within the existing sports clubs in the community.
- ◀ Enabling additional sports clubs to develop and offer a wider breadth of club activities for residents.
- ◀ Ensuring facilities are accessible and affordable to the whole community.

Vision

The vision for Castle Donington is to develop a new indoor and outdoor sports facility on the college site which includes:

- ◀ A 4 court sports hall
- ◀ 50 station health and fitness facility
- ◀ A full size floodlit 3G pitch.

Its location on the college site seeks to ensure the continued use of the existing college sports facilities as well as the opportunity for public daytime access which does not interfere with the operation of the college. The development of the sports block results in the loss of the 5-a-side pitches and it has not assumed that these will be replaced. The 3G pitch will be used primarily for school use and then for club training and fixtures as well as recreational adult football.