



Committee and Date
Cabinet 5 March 2025

Item

Public



Leisure Facilities Operating Contract

Responsible Officer:	Jane Trethewey, Assistant Director Homes and Communities		
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Cabinet Member (Portfolio Holder):	Councillor Robert Macey, Culture and Digital		

1. Synopsis

This report recommends transferring the management of Church Stretton Leisure Centre to the Shropshire Community Leisure Trust, under their existing contract. It further recommends delegating authority to negotiate and agree an extension of the lease arrangements at Cleobury Mortimer and Ludlow Leisure Centres with Teme Leisure.

2. Executive Summary

- 2.1. Leisure provision is important to deliver the aspirations of the Shropshire Plan:
- 2.2. Healthy People: Provision of good quality indoor and outdoor leisure facilities enable people across Shropshire to take part in physical activity and to socialise more widely with other customers. This is particularly important in remote rural areas and helps underpin physical and mental health and wellbeing.
- 2.3. Healthy Economy: The Church Stretton Leisure centre provides employment for local people and supports local people and visitors to the area, bringing wider economic benefits.
- 2.4. Healthy Environment: The provision of the facility in this rural part of the county helps strengthen the local community and minimises the travel distances required by residents wishing to utilise leisure services.

- 2.5. This report sets out a proposed new approach to the management of Church Stretton Leisure Centre. It is one of two centres currently managed directly by Shropshire Council staff.
- 2.6. As part of a wider review of the management options for Shropshire Council owned Leisure Centres, it is proposed that Church Stretton Leisure Centre should be included in the existing contract with Shropshire Community Leisure Trust (SCLT), with Serco as the managing agent. This contract currently includes the Leisure Centres at The Quarry, Shrewsbury Sports Village, Oswestry, Market Drayton, Bishops Castle and will include the new centre at Whitchurch, once completed.
- 2.7. The benefits of this approach include:
- Improved marketing and development of the leisure offer at Church Stretton
 - A more consistent approach across Shropshire, with the opportunity for a joint membership with other SCLT centres
 - Increased training and development opportunities for staff
 - Improved staffing resilience, with cover available from a Shropshire-wide team
 - Financial saving of around £59,000, based on current projections, until the end of the current contract (31 July 2027)
 - Church Stretton Leisure Centre would then form part of the main leisure contract when it is retendered.
- 2.8. The opening hours, facilities, staff and activities would remain the same, and the building would remain in its current ownership structure, which is in part owned by Shropshire Council, and in part by the Church Stretton School
- 2.9. Engagement with local Members, and Church Stretton School has proved positive, with appreciation of the benefits for the Centre being included in the main contract. However, further detailed discussion is required to finalise the proposed arrangement.
- 2.10. If Cabinet agrees the recommendation, transfer of management responsibilities is possible by June 2024, subject to final legal advice, and subject to TUPE consultation with the Leisure Centre staff and necessary arrangements being followed through.
- 2.11. Ludlow and Cleobury Mortimer Leisure Centres are managed under a leasing arrangement by Teme Leisure. Shropshire Council agreed to support them with subsidy up to the end of 2024-25. With the approach of this break in funding, Teme Leisure has proposed a new lease arrangement which would see them continue to operate both facilities, whilst taking on full repairing responsibilities for Ludlow Leisure Centre and providing a small revenue return to the Council.
- 2.12. This proposal has been supported by the local Member and would provide continuity of provision at no cost to the Council. However, there are additional options to consider in deciding on best value, which may provide additional revenue. To be satisfied that this proposal represents best value, due diligence will be carried out, and a final decision taken after appropriate negotiations, and on the basis of expert advice.

3. Recommendations

- 3.1. Approve the transfer of the operation of Church Stretton Leisure Centre to the Shropshire Community Leisure Trust, subject to legal advice, as part of the existing leisure contract, until 31 July 2027.
- 3.2. Delegate responsibility to the Chief Executive, in consultation with the Leader and the Portfolio Holder for Culture and Digital, for undertaking necessary due diligence and thereafter finalising negotiations and completing the transfer to the current leisure management contract with Shropshire Community Leisure Trust.
- 3.3. Delegate responsibility to the Chief Executive, in consultation with the Leader and the Portfolio Holder for Culture and Digital, for undertaking necessary due diligence and negotiations to conclude the best value approach for the future operation of the Cleobury Mortimer and Ludlow Leisure Centres, and complete any necessary contractual or lease agreements.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The table below sets out the key risks and mitigations:

<i>Risk</i>	<i>Mitigation</i>
Lack of support for including Church Stretton Leisure Centre in the existing leisure management contract means the financial savings are not realised.	Engagement with staff, local ward councillors, Church Stretton Town Council and Church Stretton School has taken place. This has shown support for the proposed change in management arrangements.
Not including the facility in the larger SCLT contract means that the opportunity to provide a high quality, consistent Shropshire leisure offer to the local community is missed.	SCLT and Serco have successfully added the SpArC facility in Bishops Castle to their contract portfolio, demonstrating how they can operate in other rural Shropshire facilities and enhance the local offer.
Continued management of the facility by Shropshire Council means that there is financial uncertainty, which is picked up through Council budgets.	Transferring management on a fixed management fee reduces the risk to the council of market volatilities, and any potential staffing issues, creating savings for back-office support teams. However, the Council will still be liable for RPI/CPI increases to the contract price and any increases to energy unit inflation.
If the decision to include Church Stretton in the contract is agreed and the deed of variation is not completed in a timely manner, mobilisation will be delayed, and the financial and community leisure opportunities negatively impacted.	Legal colleagues previously successfully commissioned support to deliver a parallel deed of variation for the SpArC Centre transfer, providing a template for this process and allowing timely completion of the necessary deed.
Not having sufficient resources to complete TUPE transfer and other contractual arrangements in a timely manner	The Leisure team supported by HR colleagues, SCLT and Serco will move quickly to commence the necessary consultation with staff, subject to Cabinet agreement, and manage the transfer process.

<p>Procurement challenge from not offering the management to another organisation</p>	<p>Specialist legal advice was obtained in relation to the inclusion of the SpArC Leisure Centre in the existing contract, which confirmed that it can be modified without the need for a new procurement. Further legal advice is being obtained to confirm if recent updates to procurement regulations change this position in relation to the currently proposed addition of the Church Stretton Leisure Centre.</p>
<p>Not accepting the proposal from Teme Leisure may result in them withdrawing from operating the centre at Cleobury Mortimer. If Teme withdraw the likelihood is the centre will close.</p>	<p>In dialogue with Teme Leisure to find a mutually acceptable solution to avoid closure.</p>
<p>Accepting an offer from Teme may not represent the best value for the council longer term.</p>	<p>Undertaking due diligence to arrive at an independently assessed rental value for Ludlow Leisure Centre and to evaluate alternative options so an informed decision can be made.</p>

5. Financial Implications

- 5.1. Shropshire Council is currently managing an unprecedented financial position as budgeted for within the Medium-Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve
- scaling down initiatives,
 - changing the scope,
 - delaying implementation, or
 - extending delivery timescales.
- 5.2. The contract offer from SCLT Serco represents a saving in the cost of operating the Church Stretton Leisure Centre of £32,000 In 2025-26 and £59,000 In 2026-27. This is achieved through the efficiencies of a shared management structure and a larger organisation.
- 5.3. The process of incorporating the Church Stretton Leisure Centre into the wider contract will cost in the region of £31,000, arising from the TUPE arrangements and legal fees.
- 5.4. The proposal received from Teme Leisure provides an option to sustain the operation of the Ludlow and Cleobury Mortimer leisure facilities with no ongoing subsidy, a revenue to the Council, and with removal of the repair and maintenance obligations currently associated with Ludlow Leisure Centre. Maintenance obligations at Cleobury Mortimer will remain as is, with costs split between Shropshire Council and Lacon Childe School. This will provide a cost saving and income to Shropshire Council, the financial value of which is now being assessed alongside and alternative option of holding the facilities for future wider procurement of leisure management.

- 5.5. In the long-term, and subject to a future report and approval, it is proposed that a larger scale Shropshire-wide leisure centres contract be re-procured through a competitive tender process prior to the expiry of the current contract in 2027.

6. Climate Change Appraisal

- 6.1. Energy and fuel consumption – No effect, although potential to improve the Church Stretton facility is being considered separately through longer term consideration to upgrade the pool building.
- 6.2. Renewable energy generation - No effect, although potential to improve the Church Stretton facility is being considered separately through longer term consideration to upgrade the pool building.
- 6.3. Carbon offsetting or mitigation - There is no direct effect arising from these proposals.
- 6.4. Climate change adaptation - There is no direct effect arising from these proposals.

7. Background

- 7.1. Across Shropshire there are many different arrangements and delivery models for leisure facilities. Where agreements exist, they have historically varied significantly from each other, and it is resource intensive for the Council to manage these contracts. Because of the number and nature of existing arrangements there is a lack of consistency in service delivery, and quality of experience varies for the customer across the County.
- 7.2. The management of Church Stretton Sports Centre transferred to the Council in April 2020 following termination of the Teme Leisure agreements.
- 7.3. Consideration of the long-term management of other Leisure Centres not in the main leisure contract is also under review, with a separate report relating to Much Wenlock also before Cabinet for consideration.
- 7.4. The facilities at Church Stretton Leisure Centre are as follows:
- 20m swimming pool
 - 22-station fitness suite
 - Sports hall
 - Dance studio
 - Meeting room
 - Outdoor netball and tennis courts
- 7.5. Recommendations from consultants, Strategic Leisure, on the management options for Shropshire Council Leisure Centres, clearly show that outsourcing the centres is the most cost-effective way of managing them going forward.
- 7.6. The following five facilities are currently managed under contract by Shropshire Community Leisure Trust, with Serco Leisure as their managing agent: The Quarry, Shrewsbury Sports Village, Oswestry Leisure Centre, Market Drayton

Swimming Centre and SpArC at Bishops Castle. There is a clause to include the new facilities at Whitchurch, once completed next month.

- 7.7. The contract, which was extended in August 2022 for 5 years, with a break clause after 2 years, commenced on 1 August 2012 and was for a period of 10 years. The contract is let to the Shropshire Community Leisure Trust which has appointed Serco to deliver operational management services.
- 7.8. Legal advice is being obtained to confirm that Church Stretton Leisure Centre can be legally included within the terms of the existing contract, following the same process as applied to Bishops Castle SpArC in 2024. Recent changes in procurement regulation require a final confirmation before this proposal can proceed.
- 7.9. The opening hours, facilities, staff and activities would remain the same, and the building would remain in joint Council and Church Stretton School ownership.
- 7.10. The benefits of transferring the management of the centre include:
- Improved marketing and development of the leisure offer at Church Stretton
 - A more consistent approach across Shropshire
 - Increased training and development opportunities for staff
 - Improved cover for staff, with a Shropshire-wide team
 - Projected financial saving of £46k per annum, based on current projections, until the end of the current contract (31 July 2027)
 - Church Stretton Leisure Centre would then form part of the main leisure contract when it is retendered in 2027
- 7.11. The management of Cleobury Mortimer and Ludlow Leisure Centres is currently provided under leasing arrangements by Teme Leisure. The current lease at Ludlow Leisure Centre expires on 31st March 2029, whilst the licence at Cleobury Mortimer continues, subject to 6 months' notice. These were originally supported by subsidy from Shropshire Council, which is due to end in March 2025.
- 7.12. Facilities at Ludlow Leisure Centre include:
- 25m, 6 lane Swimming Pool, Water Slide and Diving Plunge Pool
 - Two Leisure Pools with Water Features
 - 55 Station Fitness Suite
 - 2 x Exercise Studio
 - 4 Badminton Court Sports Hall
 - Coffee Shop & Creche
 - Spa
- 7.13. Facilities at Cleobury Mortimer Leisure Centre include:
- 22 Station Fitness Suite
 - 4 Badminton Court Sports Hall
 - Floodlit Netball & Tennis Courts
 - Cricket Nets
 - Floodlit Astro Turf
- 7.14. A proposal received by the Council from Teme Leisure has set out an option to extend the current leasing arrangements for South Shropshire Leisure Centre (Ludlow) for 19 years taking on full repair and maintenance responsibilities. In

return they would continue to operate Cleobury Mortimer Fitness Centre until 2027, with no further commitment to the continuation of this service thereafter. It is proposed that the centre at Cleobury Mortimer then be included in a county-wide leisure operating contract due to be re-let in August 2027.

- 7.15. The advantage of this proposal is that these Council leisure facilities would be operated without additional cost to the Council to the end of a new, longer lease period. This would see a continuation of good quality leisure provision for the Ludlow and Cleobury communities and reduce any risk of future closure of the smaller Cleobury facility because of poor viability.
- 7.16. The Teme Leisure proposal is welcome but must be considered alongside alternative options for long term leisure provision in Shropshire. This includes the opportunity to procure a county-wide leisure contractor in future, which may provide larger financial benefits, allowing smaller leisure facilities to be subsidised by larger ones across Shropshire, to create a viable leisure service for the long term.
- 7.17. To provide a timely response to the Teme Leisure proposal whilst also supporting the best options for leisure provision in Shropshire, Cabinet is asked to delegate authority to the Chief Executive, in consultation with the Portfolio holder for Culture and Digital, to undertake due diligence regarding the proposal, negotiate the best value outcome, and conclude any necessary contracts or lease agreements.

8. Additional Information

- 8.1. As there are no plans to change the Church Stretton facility offer, opening hours or staffing, it is not envisaged there will be any impacts on equalities, social inclusion or health. For this reason public consultation has not taken place in regard to the proposed change. The principles of this service would have been considered when the existing leisure facilities contract was let. A full Equality, Social Inclusion and Health Impact Assessment will be completed before the main contract is tendered in 2027.
- 8.2. The [Church Stretton Place Plan](#) shows that the town serves a rural area with a need for more investment in leisure facilities. Church Stretton will act as a Key Centre in the new Local Plan and contribute towards the strategic growth objectives in the south of the County. 31.5% of Church Stretton residents aged 65 or over (compared with 19.7% for Shropshire), with strong take up from this population group in leisure activities and services. Tourism is important within Church Stretton and is a key employer. The Leisure Centre supports the local tourism offer.
- 8.3. The [Cleobury Mortimer and surrounding area Place Plan](#) recognises that whilst a small town it provides facilities and services for a rural hinterland. Some smaller settlements in the area also provide more local leisure facilities, such as playing fields.
- 8.4. The [Ludlow and surrounding area Place Plan](#) shows that local infrastructure priorities include provision and maintenance of facilities and equipment for sport, recreation and leisure. Also, that improvements to tourism infrastructure may bring additional benefits.

9. Conclusions

- 9.1. Transferring the management of Church Stretton Leisure Centre to Shropshire Community Leisure Trust is a further step towards a more cost-effective and consistent approach to leisure delivery across Shropshire. This will enable the centre to be considered in a cross-county approach to the delivery of our main leisure centres when the contract is retendered in 2027.
- 9.2. The short-term benefits of this approach include improved marketing and development of the centre offer for the local community, increased training and development opportunities for staff, a more consistent leisure offer across Shropshire, with the opportunity for joint memberships, reduced risk for Shropshire Council and overall financial savings.
- 9.3. The proposal from Teme Leisure for longer term lease arrangements at the Ludlow and Cleobury Mortimer Leisure Centre sites provides an opportunity to generate financial savings and secure good quality leisure facilities. However, it must be balanced against longer term goals, and due diligence undertaken to assure the Council of achieving best value for money and for Shropshire-wide leisure services.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Management Options for SpArC Leisure Centre at Bishop's Castle, Cabinet 18
October 2023

Local Member: Engagement with local councillors has been completed:
Councillor Hilary Luff
Councillor David Evans
Councillor Gwilym Butler
Councillor Simon Harris
Councillor Vivienne Parry
Councillor Tracey Huffer
Councillor Andy Boddington

Appendices [Please list the titles of Appendices]

N/A