



Haringey Council

Agenda item:

[No.]

Cabinet

On 8 February 2011

Report Title: **Sports and Leisure – Strategic Direction**

Report of: **Director of Adults, Culture and Community Services**

Signed:

Contact Officer **John Morris, Assistant Director, Recreation Services**

Wards(s) affected: **All**

Report for: **Decision**

1. Purpose

- 1.1 To review current arrangements for the funding and provision of sports and leisure services in the borough.
- 1.2 To consider the range of options for future service provision and delivery and decide the way forward.
- 1.3 To outline the reduction in the budget, as a result of these proposals.

2. Introduction by Cabinet Member

- 2.1 We need to, fundamentally change the way we fund and deliver sports and leisure provision in the borough. I believe that the key features of a modernised approach should include:
 - Reducing the cost of providing the service
 - A much greater focus upon outcomes
 - Concentrating on what we provide rather than who provides it.
 - Focusing more on the user rather than the buildings and facilities
 - Increasing the involvement of the voluntary and community sector, and
 - Transferring some or all the assets, demand and financial risks on to other parties.

3. State Links with Council Plan Priorities and Actions and or other Strategies

3.1 The purpose and role of Sports and Leisure Services is primarily linked to delivering the Council Plan priorities of:

- Encouraging lifetime well-being at home, work, play and learning.
- Delivering excellent customer focussed and cost-effective services.

4. Recommendations

4.1 To consider the future level and use of Council funding and the related service delivery arrangements.

4.2 To agree the package of proposals set out at paragraph 7 in the report.

4.3 To approve the Council initiating a procurement process to externalise the management of Council owned sports and leisure facilities.

4.4 To delegate authority to approve the final scope and procurement method to the Service Director.

4.5 To establish a Member Steering Group to oversee delivery of the project

4.6 To agree the related reductions to the budget, and potential re-direction of funding to the voluntary and community sector.

5. Reasons for Recommendations

5.1 The Council and partners face a range of challenges and issues, including:

- The Local Government settlement and resulting £86million reduction in funding to Haringey, with £46.5m in 2011/12.
- Pressure on public spending as a result of these Government cuts and the impact of those cuts on Council budget priorities, strategic planning and use of resources.
- The largely discretionary status of the services involved.
- The amount of investment needed in the buildings and facilities run by the Council.
- The potential impact and role of the private/voluntary/third sector in sports and leisure services.
- The needs, demands and expectations of residents.

6. Other Options Considered

6.1 Set against the context outlined above, the Council has three broad options in planning for future service provision and delivery in the borough.

- Maintain direct Council management of services
- Fund external organisations to deliver services
- Withdraw from the delivery of services altogether.

6.2 Maintain direct Council Management of Services

6.2.1 The current net service spend is £2.1m (excluding Corporate overheads and capital charges), on Sports and Leisure, and £895k on Recreation Development and Support (leisure and parks).

6.2.2 The service units currently employ 110 full time staff managing:

- Tottenham Green Leisure Centre, Park Road Leisure Centre, White Hart Lane Community Sports Centre and Broadwater Farm Community Centre.
- Finsbury Park Track and Gym is currently managed within the Parks Service.
- Sports and Physical Activity development working within 11 Approved Suppliers, 281 clubs and 544 Coaches/Instructors
- Capital investment and partnerships.

6.2.3 Revenue funding for sports and leisure centres has been reduced by 23% over the last four years from £2.7m to £2.1m in 2010/11.

6.2.4 The Service is also having to deal with an income shortfall of £150k during the current financial year as well as implementing in year staffing productivity efficiency savings of £100k.

6.2.5 Whilst the subsidy per user visit to our leisure centres has reduced by 14.5% from £2.07 to £1.77 in 2010.11, it is still above the national and London average. Audit Commission assessment suggests that the Council could secure better value for money from its Sports and Leisure funding. We compare less well with other London Boroughs for satisfaction with, and use of leisure facilities, and spend is higher than average.

6.2.6 There is some scope to achieve further efficiency savings, however this would not achieve the level of savings required.

6.3 Externalise and Fund Delivery of Services

6.3.1 The Council could consider moving away from direct delivery, and focus upon supporting provision through a range of providers, particularly in the third and voluntary sectors.

6.3.2 Central to this approach, would be the transfer of the management and operation of the boroughs five Sports and Leisure centres, to a new or existing external operator[s]. This could yield both immediate tax and improved operational savings. There are broadly 2 options:

- Set up, transfer to, and grant aid a new Haringey 'Leisure Trust' or
- Set up a contract and procure leisure services from an existing trust or private sector operator.

- 6.3.3 Most London boroughs already use the trust or private sector for the management of their leisure centres, with a mix of five private sector and five established trusts now managing provision in 29 boroughs. [See Appendix 1]
- 6.3.4 The Council could still retain an element of control through related specifications and contract, particularly in relation to access, use and buildings maintenance and development. The latter would include use by other Council Services e.g school swimming, Marcus Garvey library. Greater flexibility in these areas is likely to deliver greater saving.
- 6.3.5 The Councils current leisure pricing policy actively supports residents on low income and accredited local sports clubs, whilst also subsidising the wider public health benefit of swimming provision. The centres currently attract 214K concessionary sports user visits and 284k standard swimming user visits per annum, with a combined discount value of £1.5m. Members have already agreed an average 10% increase in fees and charges, with an 18% - 50% increase in swimming prices.
- 6.3.6 Appendix 2 considers the advantages and disadvantages between retaining the services in house, a Haringey trust, an established trust or a private contractor.
- 6.3.7 Appendix 3 further develops this by providing criteria and scoring these criteria against the in house, Haringey trust, and established trust/private contractor options. From this exercise, an external trust scores significantly higher than the other 2 options.
- 6.3.8 The Council already supports delivery through other external agencies, albeit on a relatively small scale, and largely currently dependant upon time limited Area Based Grant and Sport England grants. Service delivery and providers include: Tottenham Hotspur Foundation, Haringey Sports Development, and Access to Sport.

6.4 Withdraw from Delivery and Funding of Services

- 6.4.1 Sports and leisure services are discretionary functions, and thus the Council could decide to withdraw all funding and cease to provide any services. However, it is recognised that Sports and Leisure Service provision has a significant ongoing role, in meeting a range of community need and stakeholder priorities.
- 6.4.2 The Council could consider withdrawing from delivery by either closing or leasing assets to an external operator(s). This would be achieved by offering longer term leases and giving the operator full control over pricing, programming, facility development and service delivery.
- 6.4.3 There are limited opportunities for the trust or private sector at the largely outdoor leisure centres at White Hart Lane and Finsbury Park because of their location, planning constraints and the need for investment in the sites and facilities.

7. Recommended Option

7.1 The recommended course of action includes elements of all three options outlined above, and has the following key ingredients with a net cost saving of £1.6m (49%) over 3 years:

- Make further operational efficiency savings (£567k).
- Procure and externalise the management and operation of Tottenham Green Leisure Centre, Park Road Leisure Centre and Broadwater Farm Community Centre (£500k).
- Lease White Hart Lane Community Sports Centre and Finsbury Park Track and Gym to local sports club(s)/agency(s) (£478k).
- Redirecting funding to the voluntary sector for them to deliver services (£50k).

7.2 In delivering these changes, the Council will achieve the following outcomes:

- It will cost significantly less.
- Operational management would largely be provided through other agencies.
- The Council working alongside partners would achieve greater impact, and better value for money.
- Significant external investment secured for facility improvement and development.
- The reduced funding used to support people and activities, rather than buildings.
- More services would be delivered by volunteering and the voluntary sector.
- There would be less financial risk for the Council from any fall in demand or the need to maintain facilities and sites.
- It would mean smarter and targeted commissioning of prevention and intervention leisure programmes.

7.3 Tackling Base Budget Pressure

7.3.1 The Service is consolidating a range of action to improve productivity and compensate for the £150k under performance on function income, including:-

- Deleting 5 funded vacant posts
- Sports and Leisure price increases (Members approved within wider fees and charges review in December 2010).
- Reduced Supplies and Services, and Repairs and Maintenance provision.

7.3.2 This will ensure that any subsequent savings proposals are considered in the context of a confident base budget position.

7.4 Operational Efficiency Savings [See Appendix 4]

7.4.1 Further efficiency savings of £567k (£490k in 2011/12) are proposed within the current service delivery arrangements some of which have already been considered as part of HESP, and include:

- Price increases across the centres/activities
- Reduction and deletion of 1 funded vacancy
- Reduction and deletion of 7.5 funded posts (potential redundancies)
- Introduction of automated ticketing at Tottenham Green Leisure Centre.
- Franchised catering operation at Park Road and Tottenham Green Leisure Centres.
- Increased utilisation, use and income at Broadwater Farm Community Centre.
- Energy efficiency following recent capital investment at Leisure Centres

7.4.3 Whilst this represents an 18% saving on the current net budget, existing service delivery can be maintained, although clearly there is a reduction in staffing levels the equivalent of 8.5 full time jobs.

7.4.4 The key risks associated with these proposals, and the related action to limit their impact are:

- A drop in use of leisure facilities and activities. This will be addressed through promotional activity/packages, and a real focus on customer retention e.g. loyalty and reward/bonus schemes.
- Reduced management and development capacity across the service, will require a review and reorganisation of the existing structure.

7.5 Procure and Externalise Delivery of Sports and Leisure Centre Management [See Appendix 5]

7.5.1 The Council could achieve better value for money by contracting out the management of Tottenham Green Leisure Centre, Park Road Leisure Centre, and Broadwater Farm Community Centre. Whilst it is proposed that both White Hart Lane Community Sports Centre and Finsbury Park Track/Gym are also included in the scope as options, alternative solutions are recommended (see paragraph 7.7) below).

7.5.2 It is proposed that the Council maintains the revised concessionary, swimming and Active Club discounts, and retains control of these elements of pricing in a contract with an external provider.

7.5.3 The more detailed appraisal of the Sports and Leisure Management Options, suggests that the Council could achieve a saving of between £241k and £677k per annum, with the greater saving coming from contracting with an existing trust or private sector operator. This is summarised in Appendix 5.

7.5.4 The appraisal considered the following key issues:

- The Councils strategic priorities and national guidance.
- A review of the market and providers in London.
- An assessment of current performance.
- Future management options and their related advantages and disadvantages.

7.5.5 The immediate principal areas of advantage for an existing trust compared with a new Haringey Trust would be:

- The ability to realise additional income eg. Health and Fitness, Swimming Lessons, Coaching Courses,
- Economies of scale for management costs.

7.5.6 Contracting with an existing provider is recommended on the basis that:

- It will provide a greater saving to the Council.
- Offers better financial stability
- There is a healthy market and interest in London.
- Transfers greater financial risk to other parties
- There is no additional support staffing cost
- There would be a more commercial approach to sales, marketing and branding.

7.5.7 Whilst the in-house operation has, and will continue, to reduce net cost, it cannot release the tax savings that would accrue from contracting with an existing trust operator. However, it should also be noted that central government intends to review the current arrangements and responsibility for collecting/accounting for National Non-Domestic Rate taxation.

7.6 Re-directing funding to support Voluntary Sector Delivery. [See Appendix 4].

7.6.1 Two key changes are proposed in this area, linked to reduced and redirected funding:

- Reduce 2011/12 core funding (former ABG) by £50k.
- Redirect £177k core funding, following and subject to the externalisation proposal outlined at 7.6 above i.e. if the Council secures at least a £677k reduction in cost.

7.6.2 This will provide funding for a specific programme of sport and physical activities to attract external match funding, and prioritise vulnerable young people, the disabled, and areas of greatest deprivation. Activities would be commissioned through an enhanced Sports Approved Suppliers Framework and the borough's Club Accreditation Scheme.

7.7 Leasing White Hart Lane Community Sports Centre and Finsbury Park Track and Gym [See Appendix 4]

7.7.1 The proposals outlined at 7.5 above would not secure a viable and sustainable future for these two sites, on the basis that:

- They provide largely outdoor leisure provision
- They are primarily used by specific local sports clubs and agencies
- They are on Metropolitan Open Land, which will significantly limit future built development.
- The current configuration and condition of buildings is poor.
- The related capital investment would not be secured via the sports and leisure transfer.

7.7.2 It is proposed that the Council pursues separate, bespoke partnership solutions for these two sites with local sports clubs and national governing bodies. This will be the subject of a separate report and an additional saving of £478k is being

considered as part of the wider budget reduction proposals.

8. Procurement Approach

- 8.1 A project team will be established to manage the procurement process: This will be formed with support from Recreation Services, Corporate Procurement, Property, Human Resources and Legal Services.
- 8.2 The team will be supported by specialist external advisors with previous experience and a successful track record in assisting local authorities in leisure services management externalisation.
- 8.3 External legal advice may also be required.
- 8.4 The Council will need to determine the most effective approach to take towards externalisation particularly in terms of whether to use a restricted process or competitive dialogue and the extent to which investment may be required to improve existing facilities. Approval to delegate authority to the Service Director to agree the final scope and procurement method is therefore sought.
- 8.5 As part of this consideration White Hart Lane Community Sports Centre and Finsbury Park Track/Gym will be included in the initial scope of the externalisation process in order to provide an alternative option in the event that the withdrawal and lease option cannot be realised.
- 8.6 The process will also be structured to enable Members to consider variant bids and the selection of more than one operator.
- 8.7 As set out below is the indicative programme for the project.

Stage 1	Secure external support	February 2011
Stage 2	Project scoping	March 2011
Stage 3	Agree evaluation criteria	March 2011
Stage 4	HR issues	March – June 2011
Stage 5	Property Issues	March – May 2011
Stage 6	OJEU notice/information memorandum issued	March 2011
Stage 7	Invitation to submit outline solutions	May 2011
Stage 8	Invitation to submit detailed solutions	July 2011
Stage 9	Dialogue with final tenderers	September 2011
Stage 10	Cabinet approval sought to appoint preferred bidder	December 2011
Stage 11	Contract signed	January 2012
Stage 12	Contract commencement	April 2012

9. Chief Financial Officer Comments

- 9.1 Following the Comprehensive Spending Review [20th October 2010] and previous public sector budgetary cuts introduced by the Coalition Government, the Council has an estimated funding shortfall of £46.5m 2011/12 and further shortfalls in each of the following two financial years. Hence each Council Directorate is required to

put forward their suggested budget reduction proposals. This report outlines proposals made for Sports and Leisure Services.

- 9.2 The recommended option will yield savings of £1.6m over the three year period 2011/12 to 2013/14. The financial impact of each component is detailed below.
- 9.3 Tackling base budget pressures. Whilst no net gain is achieved through these proposals the service has an inherent budget pressure of £150k due to declining income. The proposals outlined will remove this pressure and ensure a stable starting point from which to proceed with future budget reductions.
- 9.4 Operational efficiency savings. As detailed in paragraph 7.4 and appendix 4 the operational efficiencies will produce savings of £567k. Included within these savings are proposals previously presented to Cabinet on 21st December 2010:
- Implement in year price increase £100k
 - Tottenham Green Leisure Centre ticketing software £27k
 - Energy consumption reduction £99k
- A further £341k is detailed in this report and includes staffing efficiencies and reductions and franchising/closing catering operations.
- 9.5 Procure and externalise delivery of Sports and Leisure Centre Management. The maximum saving will be achieved through the use of an existing trust and would be up to £677k, as detailed in appendix 5. The proposal includes redirection of funding to the voluntary sector, as described in paragraph 7.6, and thus the net saving assumed from externalisation is £500k. Through externalising services savings can be achieved by way of operational improvement, reduced management costs, NNDR and tax reductions.
- 9.5.1 NNDR relief is available to charitable organisations; mandatory relief of 80% and a further discretionary relief of 20% (of which the Government funds 25%). This will be maximised if the procurement process results in services being managed by a new or existing trust. However, if the services are managed by private sector organisation the NNDR savings could reduce.
- 9.5.2 The VAT savings are calculated based on the Trust's treatment of VAT. The key principle behind this saving is that a charitable trust's income from charitable activity is exempt from VAT. The income from the sporting activity of a leisure trust is therefore consequently exempt. In simple terms; if the current charge for a swim is £4.80 (for illustrative purposes only) including VAT Sports and Leisure Services actually receive the net income, i.e. £4.00. As Trust income is exempt from VAT they will actually receive the full amount of income i.e. £4.80, thus a gain of £0.80.
- It is estimated that the cost of procurement and externalising this service will be in the region of £100k in 2011/12.
- 9.6 Leasing White Hart lane Community Sports Centre and Finsbury Park Track and Gym. The saving is anticipated in 2012/13 (£100k) and 2013/14 (378k). This proposal requires further detailed analysis and will be the subject of a separate report, at which time the financial implications will be assessed in full.

10. Head of Legal Comments

- 10.1 Externalising the management of the sport and leisure facilities involves procurement of a service contract or mixed service/supplies contract valued above the applicable threshold (£156,442). As a result, EU tendering is required under the Public Contracts Regulations 2006 (PCR 2006).
- 10.2 The choice of tender procedure will depend on whether the proposed contract can be considered particularly complex and one which cannot be awarded by use of the open and restricted procedures. This will require the Council to show that it is either 1) not objectively able to define the technical means capable of satisfying its needs or objectives and / or 2) not objectively able to specify the legal and / or financial make up of the project.
- 10.3 Use of the competitive dialogue procedure requires written justification which must be published and on which legal advice should therefore be taken. Given the complexity of the legal / financial matrices available by way of management solutions, the current project is likely to qualify.
- 10.4 It should be noted that the competitive dialogue procedure typically takes much longer than the restricted procedure, often easily an extra 6 months. In this context, the indicative procurement timetable in paragraph 8.6 appears extremely tight, especially given the need to allow adequate time upfront for selection of external advisors and project scoping. Careful consideration should therefore be given to the impact any undue acceleration or shortening of the process may have on the Council's ability to achieve best value through the dialogue process.
- 10.5 Given the tight procurement timeframe, delegation to the Service Director of the authority to finalise the procurement scope and method is advisable. Under section 15 of the Local Government Act 2000, Cabinet has power to make such a delegation.
- 10.6 With respect to the required reduction in posts, the process by which this is to be achieved must comply with the Council's procedures regarding organisational change. Further the position of any members of staff at risk of dismissal by reason of redundancy must be considered under the Council's procedures regarding redundancy and redeployment.
- 10.7 Consultation will be required with individual employees affected by the proposals and with recognised trade unions at all appropriate stages of the proposals before any specific proposal affecting one or more employees is finalised and implemented. Further, where identified as relevant, equality impact assessments must be undertaken at all appropriate stages of the proposals before their implementation. Consideration will need to be given to the implications of the transfer of services and functions to other providers in respect of the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 2006 and appropriate legal advice sought.

- 10.8 Changes to the funding of third sector organisations must be the subject of consultation and any response considered before any final decision is made in relation to that funding.
- 10.9 Given the array of legal complexities involved in this project, Legal should be fully involved and consulted from the earliest stages of and throughout the project.
- 10.10 The Head of Legal Services confirms that there are no legal reasons preventing Cabinet from approving the recommendations in paragraph 4 of this report.

11. Head of Procurement Comments

- 11.1 The procurement options available are mainly a choice between restricted or competitive dialogue processes.
- 11.2 Whilst a restricted procedure will ensure competition, it is not necessarily the most appropriate procedure for this particular exercise because of the number of variables and uncertainties in terms of service delivery and investment needs; but it would be the quicker option.
- 11.3 The competitive dialogue procedure on the other hand, whilst taking longer to conclude, would enable parties to the process to fully understand the issues and opportunities and importantly will encourage innovation and further development of specification before a call for final bids - thus leading to better whole life value and a more sustainable outcome.
- 11.4 A great deal of legal knowledge and documentation was amassed approx 6 years ago when externalisation of leisure centres was first reviewed, but the market was subsequently considered to be insufficiently robust and mature at that time. This knowledge and documentation is still held on file and should help to keep any further external legal costs to a minimum.
- 11.5 The Head of Procurement therefore recommends adopting a competitive dialogue procedure.

12. Equalities and Community Cohesion Comments

- 12.1 An Equalities Impact Assessment has been completed to support the strategic review. Specific proposals to be taken forward include:
- Maintain concessionary pricing based upon the ability to pay and targeting the borough's most vulnerable communities.
 - Ensure equalities standards and targets are built into service contract and/or grant conditions.
 - Redirected subsidy to prioritise supporting voluntary sector organisations to reduce barriers and increase participation.
 - Redirected subsidy to support club development/activity provision for

disadvantaged children and young people in the most deprived wards/super output areas.

- Redirected subsidy to support adult and family health checks, guidance and information.

12.2 Clearly, the themes of both equalities and community cohesion run through the needs and priorities outlined in the report.

13 Consultation

13.1 The review has drawn upon existing user and usage data from internal management systems, the Active People Survey and other agency information.

13.2 Officers have also undertaken initial consultation through the borough's Community Sport and Physical Activity Network and specific partners, including:

- NHS Haringey
- LBH Services – Adults, Children's, Youth, Transport Planning
- Pro-Active North London and Sport England
- Tottenham Hotspur Foundation, Haringey Sports Development and Interactive [London Sports Forum for the Disabled]
- Middlesex University

13.3 The key issues and concerns to emerge to date include:

- Partnership working is key to improving participation rates.
- Assessment of need and allocation of resource should be evidence based.
- Inclusive and Active 2 [disability] needs to be fully integrated into service provision.
- More on the ground support for the voluntary sector.
- Demand for accessible recreational opportunities is likely to increase in the near future.

14 Service Finance Comments

14.1 The proposals set out in this report seek to tackle the base budget pressures, whilst also identifying £1.6m efficiency, externalisation and service withdrawal savings. The 'blueprint' proposals also seek to actively transfer future financial risk in relation to both demand and assets.

15. Use of Appendices/Tables and Photographs

- Appendix 1 – Audit of Current Management Arrangements across London
- Appendix 2 – Leisure Management Options: Advantages and Disadvantages
- Appendix 3 – Criteria and Weightings for Options Appraisal
- Appendix 4 – Budget Reduction Proposals
- Appendix 5 - Sports and Leisure Management Options

16. Local Government [Access to Information] Act 1985

16.1

- Modernising the Leisure Subsidy – Strategic Review
- Leisure Management Options Appraisal
- Equalities Impact Assessment
- Audit Commission Value for Money Assessment 2008
- Budget Reduction Statements

Appendix 1

Audit of Current Management arrangements across London

Authority	Management Operator
Barking & Dagenham	<i>In-house</i>
Barnet	Greenwich Leisure Limited
Bexley	Parkwood Leisure
Brent	Greenwich Leisure Limited and Leisure Connection (PFI)
Bromley	MyTime Active
Camden	Greenwich Leisure Limited
Croydon	Fusion Lifestyle
City of London Corporation	<i>In-house</i> - currently undertaking a tender process
Ealing	Greenwich Leisure Limited
Enfield	Fusion Lifestyle
Greenwich	Greenwich Leisure Limited
Hackney	Greenwich Leisure Limited
Hammersmith & Fulham	Greenwich Leisure, Holmes Place and a dual facility
Haringey	<i>In-house</i>
Harrow	Leisure Connection
Havering	SLM
Hillingdon	Fusion Lifestyle, Greenwich Leisure Limited and Mytime Active
Hounslow	Fusion Lifestyle
Islington	Aquaterra
Kensington & Chelsea	Nuffield Health and Fitness (formerly Cannons)
Kingston Upon Thames	DC Leisure Limited
Lambeth	Greenwich Leisure Limited, Fusion Lifestyle
Lewisham	Parkwood Leisure, Greenwich Leisure Limited, Leisure Connection (PFI) – currently undertaking a tender process
Merton	Greenwich Leisure Limited
Newham	Greenwich Leisure Limited
Redbridge	Vision - Redbridge Culture & Leisure
Richmond upon Thames	<i>In-house</i>
Southwark	Fusion Lifestyle
Sutton	Greenwich Leisure Limited
Tower Hamlets	Greenwich Leisure Limited
Waltham Forest	Greenwich Leisure Limited
Wandsworth	DC Leisure Limited
Westminster	Nuffield Health and Fitness (formerly Cannons)

IN HOUSE		ESTABLISHED TRUST		PRIVATE CONTRACTOR		IN HOUSE TRUST	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
<p>More effective cross department working; sports / arts development teams, health, community cohesion etc</p>	<p>Without a defined specification, service delivery is often based upon short term priorities</p>	<p>Head office specialists enable operations to be the 'latest' in the market. Enable best practice from a number of contracts to be disseminated across facilities.</p>	<p>Operations can be 'corporate' as opposed to locally led.</p>	<p>Head office specialists enable operations to be the 'latest' in the market. Enable best practice from a number of contracts to be disseminated across facilities.</p>	<p>Operations can be 'corporate' as opposed to locally led.</p>	<p>Arms length from the Council results in operations less influenced by officers / members</p>	<p>Potential to lose the joined up working approach with other departments/agencies</p>
<p>Joined up service provision for residents</p>	<p>There is no 'contractual' requirement for the council to carry out its responsibilities; therefore where budgets are not available facilities can deteriorate and service levels reduce, for example in relation to repairs and maintenance.</p>	<p>Economies of scale provide effective product management; fitness, swimming lessons etc</p>	<p>Changes to the specification / contract require a variation that can affect the management fee and can incur legal costs.</p>	<p>Economies of scale provide effective product management; fitness, swimming lessons etc</p>	<p>Changes to the specification / contract require a variation that can affect the management fee and can incur legal costs.</p>	<p>Single focus on service delivery</p>	<p>No change in managers or staff to add further experience to service delivery</p>
<p>Changes in priorities can be implemented quickly, for example Free Swimming scheme</p>		<p>Generally have well structured Quality Management systems covering general operations, H&S, all product areas etc</p>	<p>It can be harder to work with other partners effectively; other council departments, education, CSP's, PCT's.</p>	<p>Generally have well structured Quality Management systems covering general operations, H&S, all product areas etc</p>	<p>It can be harder to work with other partners effectively; other council departments, education, CSP's, PCT's.</p>	<p>Closer links with the community through the board</p>	<p>Less influence and control – led by a Board of Trustees</p>

Appendix 2

IN HOUSE		ESTABLISHED TRUST		PRIVATE CONTRACTOR		IN HOUSE TRUST	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
Members / officers feel that they 'own' the services		A contract and specification that ensures roles and responsibilities are clearly defined between the parties.	The Council is obliged to fulfill its responsibilities or be subject to a claim from the Trust.	A contract and specification that ensures roles and responsibilities are clearly defined between the parties. Output based specifications allow the Council to focus on ensuring that the Contractor is delivering Council targets and objectives.	The Council is obliged to fulfill its responsibilities or be subject to a claim from the Contractor.	Staff feel more involved in the service delivery as not part of a large organisation.	Board of Trustees obliged to put the interests of the Trust first
		Output based specifications allow the Council to focus on ensuring that the Trust is delivering Council targets and objectives.		Output based specifications allow the Council to focus on ensuring that the Contractor is delivering Council targets and objectives.		Use of Trustees with general business / commercial experience	
		Trust status makes it easier to apply for external funding				Trust status makes it easier to apply for external funding	
						Board of Trustees can include Council members and therefore loss of control can be minimised	

IN HOUSE		ESTABLISHED TRUST		PRIVATE CONTRACTOR		IN HOUSE TRUST	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
Council is not paying for any risk premiums	Council has to pay for all risks / additional costs as they occur	Trusts generally accept all income risk and most expenditure risk and risk relating to NNDR and VAT relief	Trusts are becoming increasingly unlikely to accept risk on utilities tariffs, LGPS pension contributions; NJA salary rises above inflation and building structure of older buildings.	Contractors generally accept all income risk and most expenditure risk.	Contractors are becoming increasingly unlikely to accept risk on utilities tariffs, LGPS pension contributions; NJA salary rises above inflation and building structure of older buildings.	Income and expenditure risk transfers to the Trust.	Trusts can be less able to withstand significant changes in leisure trends, especially in the early years of trading.
	Council may not be best placed to manage all risks, for example income risk, change in industry trends, procurement of building specialists etc			Legal structures now in place for Hybrid Trusts to lever in NNDR and in some cases VAT benefits.	Contractors may propose that risk on loss of NNDR and VAT relief, even where their structures are eligible for such relief, remains with the Council.		If the trust doesn't achieve income / expenditure targets and doesn't have sufficient reserves they will need to request additional funds from the Council.
							Annual grants result in short term planning.
							If the trust fails, overall responsibility will still lie with the Council (Bristol Community Sport, Chiltern Leisure and Enfield LCT)
							If a local trust tries to expand to another Authority, it may put at risk its existing operations and lose focus upon existing

Appendix 2

IN HOUSE		ESTABLISHED TRUST		PRIVATE CONTRACTOR		IN HOUSE TRUST	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages

contractual obligations.

IN HOUSE		ESTABLISHED TRUST		PRIVATE CONTRACTOR		IN HOUSE TRUST	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
<p>Investment</p> <p>Low costs in providing capital if the Council has access to it.</p>	<p>Internal investment can be limited, leaving the only other options of prudential borrowing / external funding (e.g. Sport England, national governing bodies)</p> <p>Can be slower to react to introduce income generating schemes due to lack of commercial experience</p>	<p>Can provide investment into facilities; either investment to reduce revenue or for backlog maintenance.</p>	<p>There will be a cost of capital that is likely to be much higher than cost of prudential borrowing or Council reserves. However, Prudential borrowing is also an option.</p>	<p>Can provide investment into facilities; either investment to reduce revenue or for backlog maintenance.</p>	<p>There will be a cost of capital that is likely to be much higher than cost of prudential borrowing or Council reserves. However, Prudential borrowing is also an option.</p>	<p>The Council could support the Trust in respect of investment opportunities in relation to Prudential Borrowing etc</p>	<p>Harder to gain significant external capital for investment into the centres, as Trust would have no assets and vulnerable to short term Council funding strategies</p>
<p>Ancillary areas are often not invested in; changing rooms, catering areas.</p>	<p>New investment opportunities can be negotiated at any time during the contract period.</p>	<p>Generally have expertise to manage large scale development projects and will provide the Council with cost certainty for a project or scheme.</p>	<p>Generally have expertise to manage large scale development projects and will provide the Council with cost certainty for a project or scheme.</p>	<p>New investment opportunities can be negotiated at any time during the contract period.</p>	<p>New investment opportunities can be negotiated at any time during the contract period.</p>	<p>New investment opportunities can be negotiated at any time during the contract period.</p>	<p>New investment opportunities can be negotiated at any time during the contract period.</p>
<p>Financial</p> <p>Economies of scale normally achieved in</p>	<p>Budget set year on year and may be subject to</p>	<p>Larger Trusts are able to 'spread' the risk of the contract across</p>	<p>Above projected profits (apart from through a profit</p>	<p>Larger Contractors are able to 'spread'</p>	<p>Above projected profits (apart from through a profit share</p>	<p>NNDR and VAT savings</p>	<p>High initial set up costs</p>

IN HOUSE		ESTABLISHED TRUST		PRIVATE CONTRACTOR		IN HOUSE TRUST	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
<p>utilities purchasing.</p>	<p>reductions with changing priorities of council or central government</p>	<p>their company.</p>	<p>share mechanism) will not be re-invested into the contract and are liable to be "lost" to Trust surplus.</p>	<p>the risk of the contract across their company.</p>	<p>mechanism) will not be re-invested into the contract and are liable to be "lost" to contractor profit.</p>		
<p>Effective purchase ledger and accompanying budget monitoring systems in place.</p>	<p>Often look to cut costs to achieve budget as opposed to generate more sales.</p>	<p>Councils can plan knowing the longer term management fee -- although where there are shared risks these have to be incorporated</p>	<p>Expenditure will include an element for both head office costs and surplus.</p>	<p>Council can plan knowing the longer term management fee -- although where there are shared risks these have to be incorporated</p>	<p>Expenditure will include an element for both head office costs and profit.</p>	<p>All profits are re-invested back into the services / facilities.</p>	<p>Trusts often have high 'Head Office' costs in relation to the size of operations.</p>
	<p>Any surpluses can be allocated into the Council's central funds as opposed to be re-invested into the service / facilities.</p>	<p>Economies of scale in purchasing utilities, R&M contracts, fitness equipment etc</p>	<p>Council's central costs have to be shared over fewer departments</p>	<p>Economies of scale in purchasing utilities, R&M contracts, fitness equipment etc</p>	<p>Council's central costs have to be shared over fewer departments</p>		<p>Few economies of scale realised</p>
	<p>Central/support costs of the Council can be arbitrarily included in leisure budgets and disproportionate to overall service.</p>	<p>Trusts are generally more aggressive with health and fitness membership sales and swimming income when compared to an In House operation.</p>		<p>Contractors are generally more aggressive with membership sales, fitness and swimming lesson income when compared to an In House operation</p>			<p>Council's central costs have to be shared over fewer departments</p>

Appendix 3 Criteria and Weightings for Options Appraisal

Criteria	Key Area	Importance to Council / Members	Overall Weighting
1	Council influence and control How easily will the Council be able to influence the Service Delivery and the budgets of the Services?	Medium / Low - Council wishes to input into the strategic direction and change as per change in policies, however it is not important to be involved in day to day delivery	5.00%
2	Council Objectives Are the Council's objectives met? / Is a long term solution provided? This is both financially and meeting the Council's wider objectives.	High - the management solution must be able to provide a sustainable position	15.00%
3	Capital Resources Can Capital Investment be delivered into the Services? Condition Survey Maintenance, Building Improvement Investment, Costs of Investment	High - It is known that the facilities will need capital to be spent to ensure they continue to meet customer expectations	10.00%
4	Revenue Implications - Trading Improved Revenue position, Increase in participation and income, NDR savings, VAT benefits, Is revenue certainty provided for the Council?	High - Council wishes to have affordable and known revenue position. Savings have to be made in the next 4 years	15.00%
5	Revenue Implications - Client / other (Are current client costs reduced? Are there any other potential savings in other areas of Council costs (recharges)?	Low - Council wishes to have affordable and known revenue position	5.00%
6	Risk / Sustainability How much financial risk remains with the Council? Demand risk, Branding Costs, day to day risk, Structural / lifecycle, Staffing Costs risks, Utility cost risks	Medium - Council would prefer to have cost certainty where possible v low risk	15.00%
7	External Funding Opportunities Can external funding opportunities be improved?	Low - this would be seen as a 'bonus'	5.00%
8	Service Delivery How well will the services be delivered? Able to benchmark? Customer / client feedback, Day to day health and safety and maintenance issues, Marketing / branding, Sports Development / Branding	High - The leisure facilities should have an excellent reputation within the locality and industry	15.00%
9	Staffing Are there any Economies of Scale? Staffing terms and conditions protected, Opportunities for staff development?	Low - Staff benefits and opportunities must also be balanced with a sustainable economic position	5.00%
10	Legal Issues Any particular legal issues with each option?, Obliging the Council to spend monies / capital, Governance, Any additional risks?	Low - the Council wishes to minimise further risk	5.00%
11	Timescales / Set Up Costs Timescales of Introducing, Procurement, Producing contracts, specifications, lead in time, costs of introducing	Low - Council wishes for a sustainable position in the long term.	5.00%

100.00%

In House	Actual Scores out of 5			Weighted Scores		
	House Trust	Local Trust	Established Trust/partner	In House	Local Trust	Established Trust/partner
5	4	3	3	5.0%	4.0%	3.0%
1	3	4	4	3.0%	9.0%	12.0%
3	3	4	4	6.0%	6.0%	8.0%
2	4	5	5	6.0%	12.0%	15.0%
2	3	3	3	2.0%	3.0%	3.0%
3	2	4	4	9.0%	6.0%	12.0%
2	4	4	4	2.0%	4.0%	4.0%
3	3	4	4	9.0%	9.0%	12.0%
3	4	4	4	3.0%	4.0%	4.0%
5	2	3	3	5.0%	2.0%	3.0%
5	2	3	3	5.0%	2.0%	3.0%
34.00	34.00	41.00		55.0%	61.0%	79.0%

Recreation Services
Budget Reduction Proposals

Appendix 4

Sports & Leisure

PROPOSAL		SAVINGS			
		2011/12 £k	2012/13 £k	2013/14 £k	Total £k
1. Operational efficiency					
- Reduced Development		71			71
- Cut 1 x Business Support		30			30
- Management reduction		94			94
- Catering closure		35			35
- Increased Fees/Charges		100			100
- Ticket Kiosk(s)		27			27
- BWFCC Efficiency		75			75
- Franchise Catering		9	27		36
- Energy savings		49	50		99
Sub Total		<u>490</u>	<u>77</u>		<u>567</u>
		490			567
2. Externalise					
- Voluntary Sector Support		50			50
- Leisure Transfer *			500		500
Sub Total			<u>500</u>		<u>500</u>
			500		550
3. Withdrawal					
- Lease WHLCSC			100	378	478
Sub Total			<u>100</u>	<u>378</u>	<u>478</u>
			100	378	478
TOTAL		<u>540</u>	<u>677</u>	<u>378</u>	<u>1,595</u>
Vacancy deletion		6			
Redundancies		<u>7.5</u>			
TOTAL		<u>13.5</u>			

* £677k less £177k redirection to voluntary sector

Sports and Leisure Management Options

Appendix 5

	New Trust				Established Trust				Total
	TGLC	PRP	BWFCC	Total	TGLC	PRP	BWFCC	Total	
Current Operational Subsidy (2010/11 Budget)	£823,429.99	£495,480.01	£303,400.00	£1,622,310.00	£823,429.99	£495,480.01	£303,400.00	£1,622,310.00	
VAT Benefit	£ 78,045.00	£152,830.00		£ 230,875.00	£ 78,045.00	£152,830.00		£ 230,875.00	
NNDR Benefit	£168,000.00	£ 49,600.00	£ 30,652.00	£ 248,252.00	£168,000.00	£ 49,600.00	£ 30,652.00	£ 248,252.00	
Operational Improvement	£100,000.00	£ 30,000.00		£ 130,000.00	£270,000.00	£ 60,000.00		£ 330,000.00	
Management and Support	-£114,470.00			-£ 114,470.00	£136,433.00			£ 136,433.00	
Contingency / Profit	-£127,846.00	-£117,799.00	-£ 7,805.00	-£ 253,450.00	-£140,596.00	-£120,049.00	-£ 7,805.00	-£ 268,450.00	
NET BENEFIT	£103,729.00	£114,631.00	£ 22,847.00	£ 241,207.00	£511,882.00	£142,381.00	£ 22,847.00	£ 677,110.00	
New Operational Subsidy (2012/13 estimates)	£719,700.99	£380,849.01	£280,553.00	£1,381,103.00	£311,547.99	£353,099.01	£280,553.00	£ 945,200.00	