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Membership of the Task Group

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FOREWORD

Our leisure and cultural services, including the Palace Theatre and Forge Mill Needle Museum, are a great credit to Redditch and provide very useful and interesting amenities for our residents.

However a large subsidy is currently required from the taxpayer to maintain these services which may lead to cuts being necessary in the near future as a result of the national economic situation. It was with this in mind that we wanted to investigate what other Councils have done in order to maintain services, and in many cases improve them.

We sent a simple questionnaire to a number of Councils and were very pleased with the quantity and quality of responses that we received. This led to us visiting Chase Leisure Centre where we met representatives of Cannock Chase District Council and also meeting with the Leader of Tamworth Borough Council. At Cannock, where an external trust delivers leisure services, we were overwhelmed by the quality and variety of services they now offer. Chase Leisure Centre now works closely with MacMillan Nurses, Clinical Commissioning Groups and many other public agencies to help their residents lead more healthy and fulfilling lives.

All the Councils we contacted had made considerable savings in the region of a minimum of £200,000-£300,000 per year and were able to maintain or improve rather than cut services. We therefore came to the conclusion that the status quo in Redditch is not an option but that we must seek to secure services for our residents and hopefully improve them by working with an outside organisation.

I would like to thank the members of the group namely, Gay Hopkins, Tom Baker-Price and Paul Swansborough for their help, support and enthusiasm, as well as Jess Bayley, Democratic services Officer, who has worked hard to help us establish the facts and liaise with members of other Councils. I would also like to acknowledge the generosity of those Councils which responded and in particular Cannock Chase and Tamworth Councils who went above and beyond by giving us their time and detailed advice.



**Councillor Jayne Potter,
Chair of the Leisure Services Options Short, Sharp Review**

SUMMARY OF RECOMMENDATIONS

CHAPTER 1: EXTERNAL SERVICE PROVISION

Recommendation 1

The Council should enter into a procurement process for an external provider to run the following services:

- **The Abbey Stadium**
- **Forge Mill Needle Museum**
- **The Palace Theatre (including the Palace Youth Theatre)**
- **Pitcheroak Golf Course**

Financial Implications: The group have been advised that it could cost the Council £75,000 to undertake a competitive tendering process to procure an external provider to manage Council leisure services. This figure was also detailed in the Options Appraisal report considered by Members in July 2015. There may also be additional costs, in terms of officer time in relation to the procurement process which are difficult to calculate as it would be dependent on the time involved (Members have been advised it could take between 12 months to two years to complete this process).

The group is contending that significant financial savings could be secured in the long-term if this recommendation is implemented, though it is not possible to provide any figures as this would be dependent on the content of the final contract. This could include efficiency savings and capital investment from an external service provider in leisure facilities within the Borough. If a charitable trust secures a contract with the Council additional savings may be achieved in relation to VAT, though there could potentially be costs arising from business rates which at the time of writing remain to be clarified in the Comprehensive Spending Review.

(Further detailed information relating to the financial implications of this recommendation is provided in the report).

Legal Implications: The Council would need to conduct this procurement process in accordance with European procurement rules. The Legal Services team would need to be involved in helping to negotiate a contract on behalf of the Council. This approach to service delivery also has clear governance implications for the Council. These are addressed in the report. Depending on the outcomes of this process staff would need to be transferred to an external service provider via TUPE transfer and this would have financial implications, particularly with regard to pension arrangements.

CHAPTER 2: WORKING IN PARTNERSHIP

Recommendation 2

Redditch Borough Council should consult with Bromsgrove District Council about whether Arts Development (including Events) and Sports Development can be included in the procurement process referred to in Recommendation 1. Both Councils would need to make a decision about whether this would be appropriate.

Financial Implications: There are no direct financial implications to consulting with Bromsgrove District Council regarding this proposal except in terms of officer time. However, Members are contending that if Arts Development and Sports Development could be included within the procurement process referred to in Recommendation 1 above further efficiency savings could be achieved by both Councils in the long-term.

Legal implications: The Arts and Events team and Sports Development are both shared services. Consequently both Councils would need to make a decision in support of outsourcing these services if they were to be included within the procurement process referred to in Recommendation 1 above. Members are asked to note that if one Council supported inclusion of these shared services in the procurement process and the other Council did not approve this proposal there would be very complex legal issues, relating to shared services, TUPE transfer of staff and maintaining services for the Council that did not support the proposal, which would take time and resources to resolve.

Recommendation 3

The Council should enter into discussions with RSA Academy Arrow Vale and Tudor Grange Academy Redditch concerning future operating arrangements for Arrow Vale Sport Centre and Kingsley Sport Centre.

Financial Implications: There are no direct financial implications in relation to entering into discussions with RSA Academy Arrow Vale and Tudor Grange Academy Redditch except in terms of Officer time.

Legal implications: There are no direct legal implications to this recommendation. Members of the group believe that no changes to Council services that might impact on the future operating arrangements at Arrow Vale Sports Centre and Kingsley Sports Centre should be considered without the Council first entering into discussions with the respective schools.

CHAPTER 3: COUNCIL SERVICES

The group recognises that there are a small number of the Council's leisure and cultural services that are not directly affected by these recommendations. The group believes that these services should continue to be delivered by the Council at this time. The reasons why Members reached this conclusion are detailed in Chapter Three of the report.

INTRODUCTION/BACKGROUND INFORMATION

Background

The Overview and Scrutiny Committee launched a Task Group review of the Abbey Stadium in 2013. Following consideration of the findings from this review it was agreed by the Executive Committee in June 2014 that:

- a) the Council should explore the options for a leisure trust to manage some or all of its facilities, including the Abbey Stadium; and
- b) the Overview and Scrutiny Committee should be given the opportunity to pre-scrutinise any final business case relating to the future operation of some or all of the Council's leisure facilities, including the Abbey Stadium, prior to its submission to the Executive Committee.

In April 2015, following discussions of progress in relation to this matter, the Overview and Scrutiny Committee agreed that an item on the Executive Committee's Work Programme, the *Review of Operation of Leisure Services*, should be subject to detailed pre-decision scrutiny. (This report outlined initial findings from an options appraisal of leisure service delivery at the Council). Discussions about this report took place at three consecutive Overview and Scrutiny Committee meetings in June and July 2015.

At a meeting of the Executive Committee on 14th July 2015 Members considered the options appraisal. During this meeting Members agreed that further work by Officers was required prior to a decision on the future delivery of leisure and cultural services being taken. The findings from this further work are currently scheduled to be considered by the Executive Committee in January 2016.

In this context the Overview and Scrutiny Committee concluded that a more detailed scrutiny review, focusing on the future delivery of leisure services by the Council, would be helpful. A decision was taken to launch this exercise as a Short, Sharp Review to ensure that Members could complete their investigations by the end of the calendar year in time for any approved recommendations to be built into the Council's budget.

There were a number of key objectives to this review (to view further detail about the group's terms of reference please refer to Appendix 1):

- To consider the general requirements of a number of different models of service delivery which could be used to provide the Council's leisure and cultural services (the list of service delivery models considered by the group corresponded with the different models listed in the *Review of Operation of Leisure Services* report published in July 2015). The full list of models considered by the group can be viewed in Appendix 1.
- To review the financial implications for the Council of all of the service delivery models.
- To assess the implications of each model for the quality of services.
- To consider the governance arrangements that would apply in relation to each model.
- To consult with other local authorities about the operational models that they have adopted for the delivery of leisure and cultural services.

- To identify suitable delivery models for the Council's leisure and cultural services (including considering whether different delivery models might be suitable for different elements of leisure and cultural services).

Evidence Gathering

The group gathered evidence from a variety of sources during the course of the review. Information about the various different service delivery models was obtained from a number of written reports. In particular Members found the following reports useful:

- *Alternative Service Delivery Models: Discussion Document* (Grant Thornton, May 2015).
- *Responding to the Challenge: Alternative Delivery Models in Local Government* (Grant Thornton, January 2014).
- *Local Authority Sport and Recreation Services in England: Where Next?* (The Association of Public Service Excellence – APSE, October 2012).
- *Spreading Their Wings: Building a Successful Local Authority Trading Company* (Grant Thornton, 2015).

The group's conclusions regarding each of the service delivery models that they rejected and the reasons why they concluded that those models would not be suitable in Redditch are outlined at Appendix 6.

Information was also requested from Council Officers about the current financial costs involved in managing the Council's leisure and cultural services and the governance arrangements that would need to be put in place if the Council was to adopt alternative models of service delivery. This information was provided in both a written form and verbally during a number of interviews. The evidence included a detailed breakdown of the financial costs involved in maintaining the Council's leisure and cultural services together with the income that had been accrued from these services over the past three years.

At the start of the review Members agreed that it would be essential for the group to consult with other local authorities. The group was keen to learn about the service delivery models that had been adopted by other Councils, the rationale for adopting those models and the impact that this had had both in terms of service quality and on local authority finances. A decision was taken to dispatch questionnaires to the lead Officer and relevant Portfolio Holder at 19 local authorities. This comprised 15 authorities which were selected on the basis of the comparability of services and demographics to Redditch Borough Council at the time the questionnaires were sent and four Councils selected on the basis of close geographical proximity to the Borough. A total of 12 Councils returned completed questionnaires of which 11 are listed in the acknowledgements in Appendix 2 (one Council requested that their identity remain anonymous which has been respected in this report).

The information provided in the completed questionnaires was very useful and helped to inform the group's final recommendations. On the basis of these responses additional information was requested from three Councils.

- A visit was undertaken to Chase Leisure Centre in Cannock Chase, Staffordshire, where representatives of Cannock Chase District Council and Wigan Leisure and Culture Trust (WLCT) kindly provided the group with a tour of the building and advice about working with an external service provider.

- An interview was held with Councillor Danny Cook, Leader of Tamworth Borough Council, concerning the approach the authority has adopted to delivering leisure and cultural services within their Borough.
- Written information was provided about the unique operational arrangements in place at Newcastle-Under-Lyme Borough Council to manage their community centres.

Members would particularly like to thank these three Councils for their advice and support during the course of this review. The evidence they provided helped the group to clarify a number of points and to identify actions that they felt should be taken to enhance the delivery of leisure and cultural services within Redditch Borough.

Local Considerations

Currently a large range of leisure and cultural services, which are discretionary services, are directly managed by the Council (some of which are shared with Bromsgrove District Council). These include:

- Leisure centres, including the Abbey Stadium, Arrow Vale Sports Centre and Kingsley Sports Centre
- Sports development
- Arts development
- Events, such as the bonfire night and Morton Stanley Festival
- Community centres
- Allotments
- The Palace Theatre
- Forge Mill Needle Museum and Bordesley Abbey
- Pitcheroak golf course
- Parks and open spaces, including Arrow Valley Park and Morton Stanley Park
- Play areas
- Business development services, including the room bookings system, marketing and sponsorship and facilities management

The estimated net direct costs to the Council of delivering leisure and cultural services in 2015/16 are £1.5 million. This excludes the costs of support services (also known as enabling services), indirect costs and borrowing costs. The group also did not ask Officers to provide financial details for the costs of delivering Business Development services, such as the room booking service, because they determined at an early stage that these services were integral to the operation of the Council and should therefore continue to be delivered in house.

When considering alternative models of service delivery Members have been advised that only direct costs should be taken into account. The estimated gross expenditure for 2015/16 on leisure and cultural services is approximately £4 million, with £2.5 million generated in income across the leisure services that the Council delivers.

Throughout the review Members were mindful of the significance of leisure and cultural services to a number of the Council's priorities. In particular, these services are relevant to two of the Council's strategic purposes; "provide good things for me to do, see and visit" and "help me to live my life independently (including health and activity)". The group was keen to ensure that any actions proposed in their recommendations enhanced the Council's ability to meet these objectives.

In addition, the Council, as a member of the Redditch Partnership, remains committed to tackling health inequalities. Members of the group are aware that through participation in leisure and cultural services residents can be assisted with addressing health problems related to obesity as well as provided with helpful support in relation to any mental health difficulties they may experience. The group was keen to ensure that any actions they proposed enabled the Council to continue to meet the needs of the local community in this respect.

When discussing potential recommendations the group considered key objectives that Members felt the Council should attempt to achieve in future in respect of leisure and cultural services. This took into account both local priorities as well as the increasingly challenging economic environment in which local government operates.

- A need to ensure that good quality leisure and cultural services are provided to residents living in the Borough
- A desire to make sure that leisure and cultural services remain sustainable
- The benefits for the Council of achieving efficiency savings

The group's final recommendations were informed by these considerations as their vision for the future of leisure and cultural services in the Borough.

CHAPTER 1: EXTERNAL SERVICE PROVISION

Recommendation 1	<p>The Council should enter into a procurement process for an external provider to run the following services:</p> <ul style="list-style-type: none"> • The Abbey Stadium • Forge Mill Needle Museum • The Palace Theatre (including the Palace Youth Theatre) • Pitcheroak Golf Course
Financial Implications	<p>The group have been advised that it could cost the Council £75,000 to undertake a competitive tendering process to procure an external provider to manage Council leisure services. This figure was also detailed in the Options Appraisal report considered by Members in July 2015. There may also be additional costs, in terms of officer time in relation to the procurement process which are difficult to calculate as it would be dependent on the time involved (Members have been advised it could take between 12 months to two years to complete this process).</p> <p>The group is contending that significant financial savings could be secured in the long-term if this recommendation is implemented, though it is not possible to provide any figures as this would be dependent on the content of the final contract. This could include efficiency savings and capital investment from an external service provider in leisure facilities within the Borough. If a charitable trust secures a contract with the Council additional savings may be achieved in relation to VAT, though there could potentially be costs arising from business rates which at the time of writing remain to be clarified in the Comprehensive Spending Review.</p> <p>(Further detailed information relating to the financial implications of this recommendation is provided in the report).</p>
Legal Implications	<p>The Council would need to conduct this procurement process in accordance with European procurement rules. The Legal Services team would need to be involved in helping to negotiate a contract on behalf of the Council. This approach to service delivery also has clear governance implications for the Council. These are addressed in the report. Depending on the outcomes of this process staff would need to be transferred to an external service provider via TUPE transfer and this will have financial implications, particularly with regard to pension arrangements.</p>

Evidence Basis:

Members identified external provision of certain leisure and cultural services as a suitable service delivery model for the Council based on the evidence they gathered during the course of their review.

In the first place Members were interested to learn from the written reports they considered that in recent years Councils have increasingly been arranging for leisure and cultural services to be delivered on their behalf by an external provider. Indeed, in

the *Local Authority Sport and Recreation Services in England: Where Next?* report (APSE, 2012) it was noted that “...two thirds of local authorities (have) observed a shift from the role of ‘provider’ to ‘facilitator’ since 1997 and within the next five years, two-thirds perceive the core remit of sports services being one of ‘facilitator’ or ‘enabler’”. In the majority of these reports the report authors had noted that local authorities often have arranged for a leisure trust, either an existing leisure trust operating across multiple authorities or a new local leisure trust, or, less frequently, for a private company to deliver leisure services on the Council’s behalf.

This pattern of external service provision was mirrored in the arrangements in place at the Councils which completed questionnaires for the consideration of the group. In total 11 of the 12 Councils consulted by the group confirmed that at least some of their leisure and cultural services were delivered by another organisation, sometimes alongside other leisure services which the Council continued to deliver directly. A variety of service delivery models had been adopted by these Councils including working with an external leisure trust, having a contract with a private sector company, services delivered by a bespoke local leisure trust and delivery of specific services by a local voluntary sector group. Furthermore, the choice of which services to outsource to an external service provider varied; at some local authorities all leisure and cultural services were managed by an external provider whilst at other Councils only specific services were delivered by another body, most commonly leisure centres.

A number of key benefits arising from service provision by another (non-Council) service provider were highlighted by these Councils:

- Increases in participation in physical activities. In some cases this had been achieved because the Council had set specific targets within their contracts which the external service provider had to meet.
- The ability to retain services. A number of Councils commented that leisure and cultural services would not have been sustainable if the Council had continued to deliver them directly due to budget pressures.
- External providers specialising in leisure and cultural services could focus on direct delivery of those services without having to address the additional distractions that impact on Council staff, such as attending Committee meetings. Typical of this view was the Council that commented “...in terms of services the Trust is a single focus organisation and is therefore at liberty to market the services and facilities much more effectively than...another Council department.”
- Councils which had opted to work with an existing leisure trust or private company specialising in delivering leisure services frequently noted that the quality of local services benefitted from the expertise of these organisations.
- In many cases services and equipment had been updated, partly due to requirements in leisure contracts, though also in cases where the service provider specialised in delivering additional activities that had not previously been explored by the Council.
- In every case Councils reported that they had been able to achieve significant efficiency savings as a result of working with an external service provider.
- The range of benefits arising from working with an external service provider were best summarised by one local authority respondent: “A well-established external operator is best placed to ensure the leisure offer is keeping up with the changing landscape to ensure that it remains relevant and meeting the aspirations of the community. There are economies of scale with large operators providing significant levels of strategic management support which a Council is unable to as well as being able to share best practice across contracts as opposed to working in isolation.”

In the majority of cases the Councils that completed the group's questionnaire commented that they would adopt the same approach again if the choice arose. Indeed, in a number of cases the Councils had recently reached new agreements with external organisations and trusts regarding the future delivery of services based on their previous positive experience. However, some respondents did suggest that the Council should be cautious when considering whether to establish a new leisure trust to deliver leisure and cultural services. It was suggested that a new trust could be expensive to establish and might represent a financial risk in an already competitive leisure services market.

Finances

One of the main benefits of working with an external service provider that was highlighted by the other Councils in their responses were the financial savings that had been achieved. The level of savings varied according to the terms of the contracts that had been negotiated by the Council. In some cases Councils had set targets for efficiency savings in their contracts. In other cases lower efficiency savings were anticipated though significant capital investment from the external provider had been agreed in contract negotiations. Specific figures in terms of efficiency savings are not quoted here out of respect for commercial sensitivities. However, it can be confirmed that efficiency savings reported to the group varied from £350,000 per year to £2.2 million over a period of three years.

The local authorities also highlighted a number of additional financial advantages from working with an external service provider:

- By working with an external service provider the financial risks to the Council involved in delivering leisure services, particularly in leisure centres, could be reduced: *“By outsourcing the operational management to an external operator, the Council has transferred significant financial risk for the day to day running of the centres to the operator.”*
- Councils working with an external leisure trust or with a private company benefited from sharing overheads with other customers in relation to covering the costs of back office functions such as Human Resources.
- The transfer of relevant employees under TUPE arrangements had led to a reduction in expenditure at those Councils on the staff payroll. As staff wages and associated costs represent a relatively large part of local authority expenditure this had led to savings for the Council over time.
- The transfer of staff had also led to a reduction in demand for back office functions at the local authorities. Councils had responded to this in various ways, including by negotiating target budget reductions with the managers of effected back office functions in order to avoid the need for redundancies.
- Some Councils reported that there would always be certain leisure services that would need a local authority subsidy to continue to be provided due to a variety of reasons, including limited market appeal or local competition. However, where Councils were working with an external service provider the level of subsidy that was required from the local authority had fallen significantly.
- Councils working with either a bespoke local leisure trust or an external leisure trust, particularly those Councils which had been working with a trust for some time, reported advantages in terms of reduced VAT and business rate payments.

Members investigated VAT exemptions for trusts in some detail as they recognised that this could have implications for the Council's choice of appropriate service delivery

model. The group has been advised by Officers that leisure trusts are eligible for exemptions on some payments which were not applicable to local authorities. For example, whilst the Council charges VAT for certain leisure service activities, which is included within the fees and charges for those activities, a trust is exempt from paying VAT on these activities. Trusts do have to pay VAT on certain supplies and services which, unlike the Council, they cannot reclaim from HMRC. However, Officers have advised that the income from sport activities for which trusts do not have to pay VAT is higher than expenditure on supplies and services and therefore on balance a trust could secure savings from VAT exemptions when running Council leisure services. Officers have advised that, depending on the level of services that might be included within a contract, this could equate to savings of £45,000 – £50,000.

Business rates were also investigated by the group in detail as again Members understood that significant savings in this respect could influence the Council's choice of service delivery model. Currently business rates for Council buildings, including leisure facilities, constitute a relatively high financial cost for the Council. For example the group has been advised that the Abbey Stadium alone is subject to business rates of £130,000. At present there is a mandatory 80 per cent reduction in business rates for charitable organisations (including trusts), with the remaining 20 per cent of business rates subject to discretionary policies at the local authority level. The 80 per cent of reduced business rates have tended to be covered by the Government resulting in significant savings from business rates for local authorities that have adopted a trust model of service delivery to date. However, Members have been advised that the Government is in the process of changing the national Business Rate Scheme. Clarification about the implications of these changes is anticipated in the Comprehensive Spending Review on 25th November 2015. However, Officers have advised that there is the possibility that in future local authorities will be expected to cover 100 per cent of any reduced business rates available to charitable organisations.

At the time of writing this was all subject to speculation. The group would therefore urge the Executive Committee to obtain further clarification from Officers on this point as soon as it can be made available and feel that this potential development should be taken into account as part of any discussions about changes to the Council's approach to service delivery. However, based on this information and on the significant level of efficiency savings achieved by Councils working with both leisure trusts and private sector companies Members agree that the Council should be open to entering into a contract with either a trust or a private company to deliver leisure and cultural services in the Borough.

The group is aware that the estimated cost of £75,000 for the proposed procurement process would represent an additional budget pressure which would need to be incorporated into the Medium Term Financial Plan. However, Members are contending that these costs would be offset in the long-term by the efficiency savings and potentially capital investment that could be secured from working with an external service provider.

Contract Terms

There are legal considerations to address when negotiating a contract. The contract negotiations would need to be conducted in accordance with part 15 of the Constitution: Contract Procedure Rules (which are currently in the process of being updated). According to the latest version of the rules available, published in November 2011, any procurement for goods and services which exceed the EU Procurement Thresholds, (£173,934 or works exceeding £4,348,350) the Council has to follow full EU Public

Procurement Directives. This essentially means that more complex procedures need to be followed than for standard procurement processes, potentially adding to the timeframes required to complete the process.

Many of the Councils that completed the group's questionnaire provided some useful, practical advice with regard to contracting out services. The key issues highlighted by these Councils for the group's consideration were:

- Service delivery arrangements need to meet the needs of people living in Redditch, particularly the most vulnerable.
- The benefits of reflecting on the unique selling points of leisure and cultural services in Redditch and of making sure that service delivery arrangements are suitable for these services. In particular Members were advised that assumptions should not be made that arrangements successfully in place in another district would necessarily suit Redditch.
- The Council should be flexible over options for service delivery and assess both the strengths and weaknesses of each service independently as well as collectively when making decisions: *"...be careful looking at one delivery model for all Leisure / Heritage / Culture Services. You may miss opportunities by a blinkered approach. Take each service as standalone, and then look for natural synergies before deciding one model is best."*
- Members were advised that there was a need for the Council to be realistic about the length of time and resources required to arrange for alternative models of service delivery to be introduced at the Council. Estimates on the length of time required varied between 12 months and two years. Any savings arising from new approaches to delivering services would also, consequently, be delayed until the whole contract negotiation process has been completed.
- The need to engage with affected staff and Trades Unions throughout the process and to be open and honest with employees about potential outcomes.
- Any changes to service delivery need to be based on detailed planning and have an evidence basis. In some cases Councils had based their decisions about service delivery on the findings contained in an options appraisal report or a bespoke local review of leisure services.

The group was also advised that the Council could detail particular objectives within any contract. This would help to ensure that any existing features of leisure and cultural services considered to be non-negotiable could be retained in the event of a new service provider assuming responsibility for the delivery of services. The group notes that this could include the following features (this is intended to provide a hypothetical list of examples rather than a definitive list of requirements which the group believes would need to be identified by senior Officers in consultation with the Executive Committee):

- A requirement for the Reddicard to be recognised at facilities operated by an external service provider on behalf of the Council in order for eligible residents to continue to be able to pay fees and charges at a concessionary level
- Free swimming provision for customers aged under 16 or over 60 years old
- Performance targets in respect of participation in physical activities
- Requirements to work in partnership with particular local partner organisations on specific projects

However, the group has been advised that the Council needs to be cautious about attempting to exert too much control over any external provider awarded a contract as this could be counterproductive. *"It is essential that the operator has the autonomy over*

significant elements of the services and that the Council does not seek to unduly control this flexibility.” For example, a controlling approach could prevent an external service provider from introducing projects and activities that had successfully attracted customers at leisure centres they manage in other parts of the country. In a worst case scenario organisations might be deterred from bidding in the procurement process or from offering favourable terms, both financially and in terms of the services that could be provided to customers.

Governance

The group recognises, however, that the Council will want to retain some influence over service delivery in the Borough. For this reason Members considered potential governance arrangements as part of the review.

Members were advised that Council representatives, which could include elected Councillors, could be appointed to the board of a trust (if a trust secures a contract to deliver the Council’s leisure services). However, there are strict rules regarding the composition of a trust board; representation is usually calculated on a ratio basis of 2:11 in favour of more external representatives than Council representatives. The more Council representatives that are appointed to a board the more external representatives have to be appointed to achieve this balance, which can make it difficult for a board to operate effectively.

The group has been advised that it is more likely that the Council will retain influence over service delivery, regardless of what type of service provider is successful in the procurement process, through contract management arrangements. Frequently a requirement of contracts negotiated with an external service provider is that representatives of the organisations will meet with relevant officers from the Council to discuss performance. The frequency of these meetings can be negotiated but provide opportunities for both parties to raise any concerns about service risks or to discuss new developments. The Council can use these meetings as an opportunity to scrutinise services. Direct Member involvement with an external provider could be limited. At some Councils the relevant Portfolio Holder was invited to attend meetings between officers and representatives of the service provider to discuss service targets and any challenges. However, Members were advised that the Overview and Scrutiny Committee, which holds local decision makers to account, would have limited opportunities to require representatives of an external service provider to attend Committee meetings. Instead, the Committee would need to focus on holding the service to account through Council Officers responsible for managing and monitoring the contract with the external service provider.

Staffing implications

The group understands that the actions they are proposing in this recommendation will have clear implications for staff employed by the Council to deliver leisure and cultural services. Staff would need to be transferred in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (also known as TUPE). This transfer would be subject to negotiations with the external service provider but Members would expect staff to be entitled to maintain current terms and conditions when transferred. The group would also urge senior Officers to engage with staff and Trades Unions throughout this process, through regular briefings, to ensure that staff understand and are engaged with the process.

Members have been advised that pensions can be one of the most complex areas for Councils and external providers to resolve during contract negotiations. Staff who are part of the local government pension scheme would retain the right to remain in that scheme. The Council would need to cover any deficit in terms of employer pension contributions up to the point at which the staff transferred and the service provider could expect to cover pension contributions from the date of transfer. However, Members have also been advised that every three years actuaries review pensions and this can lead to a change in the pension contribution required from the employer. The Council might then have to increase contributions to cover the deficit for the years preceding the staff transfer. There may also be a requirement for an increase on the contributions for staff for their years of service after they have transferred to the new service provider. Cover for this additional contribution would need to be discussed with the external service provider during contract negotiations; in some instances the local authority has covered these increases whilst in other cases alternative arrangements have been agreed. The group has been advised that in order to negotiate pensions effectively the Council should also consult with Worcestershire County Council, as the lead for local government pensions in the county, at an early stage in the process.

The group are keen to clarify that their proposals are in no way intended as a criticism of existing staff and they recognise that staff work incredibly hard. In many cases without this hard work the Council would be subsidising leisure and cultural services at a much higher level. However, in the current economic circumstances the group is contending that the Council cannot continue to deliver these services directly. Furthermore, Members believe that staff will have greater opportunities for career development working for an external service provider and will have more flexibility to work on new ideas and initiatives that the Council lacks the resources to support.

Local Considerations

The Council currently has contracts with two external service providers for Pitcheroak Golf Course; one for the café on the site and the other for provision of golf services. In both cases these contracts are due to expire in October 2016. Members have been advised that the golf course can be included in the services listed in this recommendation as management of this contract could be novated to an external service provider.

During the review Members discussed the possibility of managing Forge Mill Needle Museum and the Palace Theatre in a separate manner due to the bespoke status of these facilities and their importance to the cultural heritage of the Borough. However, Members found that a number of Councils had similar services which had been successfully incorporated into external trust arrangements with other leisure facilities. The group feels that this approach, of combining more facilities into a package of services managed by an external service provider, would help the Council to achieve greater efficiency savings overall as overheads and expertise will be shared across all the services. For this reason the group is proposing that Forge Mill Needle Museum and the Palace Theatre should be included in the procurement exercise.

Conclusion

Members feel that it would be best for the Council to enter into a competitive tendering process to procure an external provider to deliver the Council's services. A variety of bodies could apply to take part in this procurement process including existing leisure trusts, private sector companies and voluntary sector groups. The group has not

specified a target service provider as Members feel that there should be flexibility available for organisations to bid to take part in the procurement process if they are interested in doing so.

CHAPTER 2: WORKING IN PARTNERSHIP

There are a number of leisure and cultural services and facilities that the Council currently delivers in partnership with other organisations. The group believes that there are opportunities available to enhance these services, potentially through their inclusion in the procurement process referred to in recommendation 1 above. However, Members recognise that the Council should not act unilaterally without first consulting with relevant partner organisations. They are therefore proposing that the Council should enter into dialogue with partner organisations regarding two separate matters, as detailed in Recommendations 2 and 3 below.

Recommendation 2	Redditch Borough Council should consult with Bromsgrove District Council about whether Arts Development (including Events) and Sports Development can be included in the procurement process referred to in Recommendation 1. Both Councils need to make a decision about whether this would be appropriate.
Financial Implications Legal Implications	There are no direct financial implications to consulting with Bromsgrove District Council regarding this proposal except in terms of officer time. However, Members are contending that if Arts Development and Sports Development could be included within the procurement process referred to in Recommendation 1 above further efficiency savings could be achieved by both Councils in the long-term. The Arts and Events team and Sports Development are both shared services. Consequently both Councils would need to make a decision in support of outsourcing these services if they were to be included within the procurement process referred to in Recommendation 1 above. Members are asked to note that if one Council supported inclusion of these shared services in the procurement process and the other Council did not approve this proposal there would be very complex legal issues, relating to shared services, TUPE transfer of staff and maintaining services for the Council that did not support the proposal, which would take time and resources to resolve.

In recent years Redditch Borough Council has entered into a number of shared services with other local authorities. This includes the Arts and Events and Sports Development teams which are shared with Bromsgrove District Council. Under shared service arrangements one Council acts as the host authority, though costs are shared and services are delivered across the two authority areas.

During the course of the review Members discovered that Arts Development and Sports Development services were delivered in a variety of ways by different Councils. Some local authorities had outsourced these services to an external service provider whilst other Councils continued to deliver these services directly. There is therefore no single best practice approach to delivering these services.

However, the group believes that locally it would be appropriate to include both of these shared services in the procurement process referred to in Recommendation 1 above for the following reasons:

- The services would benefit from the expertise of external service providers and this could lead to improvements in terms of the quality of the services that are delivered.
- It would provide members of both teams with greater flexibility than in a local authority environment to innovate and to participate in new initiatives.
- Staff will also be provided with more opportunities for career development if they are working for an external service provider.
- Members are contending that greater efficiency savings could be achieved, by both Redditch Borough Council and Bromsgrove District Council, if these services were to be included in a procurement process with a larger number of other leisure and cultural services.

The group has not consulted with Bromsgrove District Council as part of this review. Therefore discussions need to be held with Bromsgrove Members before any action can be taken to change the current approach to delivering the Arts, Events and Sports Development services. Subject to the Executive Committee approving this recommendation Officers will need to initiate discussions with Bromsgrove District Council with a view to determining whether Bromsgrove would agree to outsource both shared services to an external provider. Reports would also need to be presented for the consideration of the Executive Committee in Redditch and Cabinet in Bromsgrove in due course to obtain formal approval to outsource these services to an external service provider.

There is the possibility that, whilst Redditch Members might agree to include these services in a procurement process, elected Members at Bromsgrove District Council may reject this proposal in favour of the Council continuing to deliver these services directly. Officers have advised that this would have very complex legal implications because Arts and Events and Sports Development are shared services. In particular, consideration would need to be given to how to continue to deliver services in both locations, which staff to TUPE transfer to an external service provider and which to retain in Bromsgrove. This would take considerable time and resources to resolve, particularly as the Council has not withdrawn from a service shared directly with Bromsgrove before and there is no precedent which can therefore be followed.

Ideally, the group would have preferred to include Arts Development, Events and Sports Development in the list of services detailed under Recommendation 1. If both Councils do endorse this proposal Members agree that Arts Development, Events and Sports Development should be included in the list of services offered in the procurement process. To provide an opportunity for this to occur Members are urging Officers to progress discussions with Bromsgrove District Council and to bring forward reports on this subject to both the Executive Committee in Redditch and the Cabinet in Bromsgrove for consideration as soon as possible.

Recommendation 3	The Council should enter into discussions with RSA Academy Arrow Vale and Tudor Grange Academy Redditch concerning future operating arrangements for Arrow Vale Sport Centre and Kingsley Sport Centre.
Financial Implications Legal Implications	<p>There are no direct financial implications in relation to entering into discussions with RSA Academy Arrow Vale and Tudor Grange Academy Redditch except in terms of Officer time.</p> <p>There are no direct legal implications to this recommendation. Members of the group believe that no changes to Council services that might impact on the future operating arrangements at Arrow Vale Sports Centre and Kingsley Sports Centre should be considered without the Council first entering into discussions with the respective schools.</p>

Redditch Borough Council currently manages two sports centres located at local high schools; Arrow Vale Sports Centre, located at RSA Academy Arrow Vale, and Kingsley Sports Centre, located at Tudor Grange Academy Redditch. The Council contributes to the costs of managing the facilities, including a proportion of the business rates. During the day the facilities available at these centres can be used by school pupils. Outside school hours the facilities can be accessed by external customers.

Members agree that in the current economic climate, and at a time when other leisure services are in the process of being examined, it would be timely to review the future operating arrangements for these two sports centres. It is possible that by introducing alternative service delivery models at these centres improvements to the quality and range of services might occur as well as financial savings for both the Council and schools. However, Members recognise that the Council cannot proceed unilaterally in determining what changes, if any, could be made to operational arrangements at the sports centres. The schools will clearly have an interest in this subject.

The group is therefore proposing that the Council should enter into discussions with the two schools to consider appropriate future operational arrangements at Arrow Vale and Kingsley Sports Centre. They are not specifying any alternative arrangements that they feel should be considered to allow for flexibility in the discussions between the Council and the schools.

CHAPTER 3: COUNCIL SERVICES

The group recognises that there are a small number of leisure and cultural services currently provided by the Council that are not directly affected by their recommendations. This includes:

- Allotments.
- Business support services, such as civic suite room bookings and sponsorship of the roundabouts in Redditch.
- Community Centres and Meeting Rooms.
- Parks and open spaces (including the Arrow Valley Countryside Centre).
- Playgrounds.

Members of the group agree that these services should continue to be delivered directly by the Council at this time.

There are a number of reasons why Members concluded that these services should not be outsourced to an external service provider:

- A number of these services manage and maintain assets that are important to the wider community. In some cases the Council has developed long-standing and multi-layered working relationships with different local groups in relation to these services and the group did not want to undermine this positive work.
- Some of these services, particularly the business support services, are integral to the operation of core internal services at the Council. For example the room booking system provides essential support to the local Democratic process by ensuring that appropriate room facilities are available for Committee meetings.
- Members were concerned that there was a limited commercial market in respect of many of these services and that this would make it difficult for a trust or private company to enhance these services.
- Few of the Councils consulted by the group appear to have included these services within their contracts with external service providers.
- During the course of the review the group obtained limited evidence with regard to parks, open spaces, playgrounds and allotments. Members wanted to ensure that any recommended changes to service provision had an evidence basis, in line with good practice in scrutiny. For this reason they did not feel that any recommendations could be proposed about these facilities at this stage.
- The group was impressed by the approach that Newcastle-Under-Lyme Borough Council had adopted to working with local community groups to maintain community centres, following a thorough review. This has been achieved as a result of the Council working directly with Local Management Committees, comprising a range of volunteers from local groups. Members are keen for a similarly innovative, community focused approach to be implemented in Redditch Borough by the Council.
- The Arrow Valley Countryside Centre is subject to an existing contract with an external service provider. This contract is not due to expire until November 2021 and Members do not feel that it would be appropriate to novate management of this contract to an external service provider during this period.

Whilst the group feels that no changes should be made to the delivery model for these services at this time Members would suggest that this should not preclude the Council considering changes in the future. The group is aware that new opportunities to deliver services differently may emerge over time and Members are suggesting that Officers

and the Executive Committee should investigate all such options as and when they arise in case this could lead to benefits for local residents. Members also suggest that if the economic challenges facing local government further intensify the Council may need to review all services to ensure that in future they are delivered as efficiently as possible. It is therefore possible that the ways in which these services are delivered in future may have to change.

CONCLUSION

The Leisure Services Options Short, Sharp Review group have completed a detailed review of a complex subject in a relatively short space of time. This was necessary to ensure that their findings could be taken into account as part of the Council's budget setting process in 2016/17 and that any approved proposals could start to be implemented in a timely manner.

In the current economic climate the group does not feel that the status quo, in terms of direct delivery of leisure and cultural services by the Council, is sustainable. Members want to ensure that good quality services continue to be delivered in the Borough at the same time as making financial savings. The group has concluded that this can only be achieved if the Council enters into a contract with an external provider to deliver those services.

The future delivery of leisure and cultural services in the Borough of Redditch has been the subject of debate for the past 18 months and Officers and members of the Overview and Scrutiny Committee have separately reviewed this subject in some detail. Members believe that it has reached a point where a decision needs to be made about the future approach that the Council should adopt to delivering these services. The group therefore commends their report to the Executive Committee and urges them to endorse these recommendations.

APPENDIX 1
Scrutiny Proposal Form

(This form should be completed by sponsoring Member(s), Officers and / or members of the public when proposing an item for Scrutiny).

Note: The matters detailed below have not yet received any detailed consideration. The Overview and Scrutiny Committee reserves the right to reject suggestions for scrutiny that fall outside the Borough Council's remit.

Proposer's name and designation	Councillor Potter	Date of referral	01/09/15
Proposed topic title	Leisure Services Options Short, Sharp Review		
Link to national, regional and local priorities and targets	<p>Redditch Borough Council Strategic Purposes:</p> <ul style="list-style-type: none"> • Provide good things for me to do, see and visit. • Help me live my life independently (including health and activity). <p>Redditch Sustainable Community Strategy</p> <ul style="list-style-type: none"> • Health inequalities - with particular focus on smoking, obesity alcohol/drugs, and mental health. 		
Background to the issue	<p>The Overview and Scrutiny Committee launched the Abbey Stadium Task Group in 2013/14, which focused on improvements that could be made to the venue. In response to the findings in this review the Executive Committee agreed that the Council should explore options for all or some of the Council's leisure and cultural services to be managed by a trust. External consultants were subsequently tasked with undertaking an options appraisal in relation to the future operation of the Council's leisure services. The findings of this options appraisal together with a report from officers have been the subject of detailed pre-scrutiny in recent months. Overview and Scrutiny Members therefore have significant background knowledge in respect of this subject.</p> <p>On 14th July 2015 the Executive Committee considered the options appraisal, an officer overview of the findings in this appraisal and points raised by the Overview and Scrutiny Committee. Based on all of the information that had been provided the Executive Committee concluded that further work was required prior to a decision on the future delivery of leisure and cultural services.</p> <p>I feel that an Overview and Scrutiny Short, Sharp Review</p>		

	<p>could make a valuable contribution in relation to this additional work. Scrutiny Members can gather extra evidence which Officers may not have the time or resources to obtain. We can also provide a fresh and objective perspective and I believe we could really help the Council to identify a suitable way forward in relation to this matter. Good scrutiny can help the Council and this is what I aim to do through this exercise.</p> <p>The future operation of the Council’s leisure and cultural services is an important matter for the Council to address. The final decision on this matter could have significant financial implications for the Council as well as improving the offer for residents. There could also potentially be implications for staff, depending on the decision that is made. It would therefore be best to ensure that a well informed decision is made on this subject as soon as possible so that staff can appreciate the position moving forward.</p> <p>As part of the review I am suggesting that Members should consider different operating models for the delivery of leisure and cultural services. However, I am not proposing that the group consider the option of delivering services in house as I believe that Officers are in a better position to consider this option due to their expertise. I am also not proposing that the Council consider retaining a streamlined service as I think that this could be achieved through service transformation which the Council is already working on and therefore I do not think further investigation of this would add any value.</p>
<p>Key Objectives Please keep to SMART objectives (Specific, Measurable, Achievable, Relevant and Timely)</p>	<ol style="list-style-type: none"> 1) To consider the general requirements of the following different options in terms of future operational arrangements for leisure and cultural services. <ul style="list-style-type: none"> • External delivery by an external leisure operator or existing trust; • Creation of a new leisure trust. • Commissioning/outsourcing parts of leisure and cultural services. • A local authority trading company (Teckal). • A joint delivery vehicle (public). • A joint delivery vehicle (private). • A mutual delivery model. 2) To review the financial implications for the Council of all of the delivery models. 3) To assess the implications of each delivery model for the quality of services delivered to the customer. 4) To consider the governance arrangements that would apply in relation to each model.

	<p>5) To consult with other local authorities about the operational models that they have adopted for the delivery of leisure and cultural services.</p> <p>6) To identify suitable delivery models for leisure and cultural services. This should include considering whether different delivery models may be suitable for different elements of leisure and cultural services.</p>
<p>How long do you think is needed to complete this exercise? (Where possible please estimate the number of weeks, months and meetings required)</p>	<p>The aim is to complete this review by December 2015. This should ensure that the findings of the group and any recommendations, if approved, can be taken into account in advance of the Council's budget being set for the following year in February 2016.</p> <p>Any findings would need to be available in a timely manner order to be taken into account by Officers undertaking additional work as requested by the Executive Committee in July 2015. It is for this reason that I am proposing that a Short, Sharp Review of this subject should be undertaken rather than a full Task Group investigation.</p>

Please return this form to: Jess Bayley or Amanda Scarce, Democratic Services Officers, Redditch Borough Council, Town Hall, Walter Stranz Square, Redditch, B98 8AH

Email: jess.bayley@bromsgroveandredditch.gov.uk / a.scarce@bromsgroveandredditch.gov.uk

APPENDIX 2 **Acknowledgements**

The group would like to thank the following Councils for returning completed copies of their questionnaire:

- Cannock Chase District Council
- Gloucester City Council
- Malvern Hills District Council
- Newcastle-Under-Lyme Borough Council
- Nuneaton and Bedworth Borough Council
- Rushmoor Borough Council
- Stevenage Borough Council
- Stratford-on-Avon District Council
- Tamworth Borough Council
- Wychavon District Council
- Wyre Forest District Council

Thanks are also extended to the following individuals who provided evidence and invaluable support during the course of the review:

- Councillor Danny Cook, Leader of Tamworth Borough Council
- Ray Cooke, Leisure Services Manager.
- Mike Edmonds, Head of Commissioning, Cannock Chase District Council
- Clare Flanagan, Legal Services Manager
- Robert Foster, Head of Leisure and Cultural Services, Newcastle-Under-Lyme Borough Council
- John Godwin, Head of Leisure and Cultural Services
- Sue Hanley, Deputy Chief Executive
- Julie Heyes, Business Development Manager
- Tony McGovern, Managing Director, Cannock Chase District Council
- Paul McLaughlin, Estates Team Leader – North, Place Partnership Limited.
- Councillor Christine Mitchell, Portfolio Holder for Culture and Sport, Cannock Chase District Council.
- Jayne Pickering, Executive Director of Finance and Corporate Resources
- Councillor Amelia Rout, Cabinet Portfolio Holder for Leisure, Culture and Localism, Newcastle-Under-Lyme Borough Council.
- Terry Simms, General Manager, Chase Leisure Centre (and Wigan Leisure and Culture Trust - WLCT).
- Dave Wheeler, Leisure Services Manager

APPENDIX 3
Timeline of Activities

Date	Task Group Activity
22 September 2015	Consideration of the group's terms of reference and agreeing key evidence to consider during the review.
7 October	Scrutinised the content of <i>Alternative Service Delivery Models</i> , a report by Grant Thornton.
13 October	<p>Considered questionnaire feedback from other local authorities and scrutinised the content of the following reports:</p> <ul style="list-style-type: none"> • <i>Responding to the Challenge: Alternative Delivery Models in Local Government</i>, (Grant Thornton, 2014). • <i>Spreading their Wings: Building a Successful Local Authority Trading Company</i> (Grant Thornton, 2015). • <i>Local Authority Sport and Recreation Services in England: Where Next?</i> (The Association for Public Service Excellence – APSE – 2012).
19 October	Consideration of the current financial costs involved in delivering the Council's leisure and cultural services and interview with the Leisure Services Managers.
3 November	Interview with the Executive Director of Finance and Corporate Resources to discuss the financial implications of using different models of service delivery as well as current income from the Council's Leisure and Cultural Services. A further interview was also held with the Legal Services Manager to discuss governance arrangements for particular service delivery models.
10 November morning	Visit to Chase Leisure Centre, Cannock Chase, Staffordshire and interview with representatives of Cannock Chase District Council.
10 November evening	Interview with Councillor Danny Cook, Leader of Tamworth Borough Council.
18 November	Finalising the group's recommendations.

APPENDIX 4
Template Questionnaire (Blank Copy)
Redditch Leisure Services
Councillors' Scrutiny Review

A group of Councillors in Redditch are currently reviewing the model of service delivery used by Redditch Borough Council to provide leisure and cultural services to local residents. As part of the review the Councillors are keen to hear from representatives of other local authorities about how leisure services are delivered in other parts of the country.

The Councillors involved in this review do not have any decision making powers. However, based on the evidence they gather they can make recommendations to local decision makers.

Name and
Council: _____

1) Does your Council use any of the following models to deliver leisure and cultural services?
(Please delete any options that do not apply to your Council.)

- a) An external leisure trust
- b) A bespoke local leisure trust
- c) Private company (commissioning arrangement)
- d) Voluntary sector body (commissioning arrangement)
- e) A local authority trading company (Teckal)
- f) A joint delivery vehicle
- g) A mutual delivery model
- h) Delivered directly by Council staff
- i) Other (Please specify) _____

2) Why did your Council choose this model of service delivery?

3) When did your Council introduce this model of service delivery?

4) What services are provided using this model of service delivery?

5) Has your Council made financial savings by adopting this approach to service delivery? If so please could you provide a rough estimate of the savings achieved?

6) What have been the benefits for residents of delivering services in this manner?

7) Would you adopt this service model again if you were making a choice about the future of leisure and cultural services at your Council? (Please briefly outline the reasons for your answer). If your answer to this question is no please explain which alternative delivery model you would now choose and why.

8) Is there anything else you would like to add for our consideration?

The Councillors may, based on your answers, contact you to discuss your responses further. Please indicate below whether you would be happy to be contacted by deleting the answer that does not apply to you in the box below.

Yes I'd be happy to be contacted / No – please do not contact me further

Thank you for taking the time to complete this survey.

Return Address: Please return completed copies of this survey by Friday 9th October 2015 to:

Jess Bayley, Democratic Services Officer, Democratic Services,
Redditch Town Hall, Walter Stranz Square, Redditch B98 8AH

Email: scrutiny@redditchbc.gov.uk



APPENDIX 5
Declarations of Interest

Councillor Jane Potter declared an other disclosable interest during the review as a member of the board of governors at Tudor Grange Academy Redditch. This declaration relates specifically to the group's third recommendation.