Appendix 6: Leisure Services Options Short, Sharp Review: Service Delivery Models Rejected by the Group

Service Delivery Model	**Financial Implications**	**Governance Implications**	**Service Implications**	**Reasons Rejected by the Group**
Bespoke new leisure trust	• Members have been advised it could cost £150,000 to set up a new trust. This may be an optimistic estimate as the options appraisal considered by Members in July 2015 suggested the set up costs could be as much as £250,000. • Savings of £40,000 - £50,000 on VAT may be achieved. • Previous significant financial savings for bespoke trusts from business rates might no longer be applicable, depending on the outcomes of the Comprehensive Spending Review in November 2015. • Staff would need to be TUPE transferred across to the trust which has associated financial implications, particularly in relation to pensions.	• Council representatives can be appointed to a trust board. • Appointments can only be made on a ratio of 2:11 in favour of more external appointees than Council representatives.	• Services would continue to be delivered by existing staff managed by a new leisure trust. • It is likely that the quality of services would remain the same if no new expertise was to be introduced.	• Members were concerned about the significant financial investment required to establish a new leisure trust. • The group, whilst recognising the hard work and commitment of existing staff, feel that a new leisure trust would not be able to access the expertise of an established leisure trust or company. • Members felt that forthcoming changes to business rates in particular may make the financial viability of this model for the Council compared to existing service provision questionable. • Respondents to the group’s survey cautioned against the Council establishing a new leisure trust: “…single district trusts are now at huge risk…” • Officers have suggested that whilst efficiency savings might be achieved this would be significantly less than if the services were to be outsourced to an existing trust or company which could achieve economies of scale through shared back office functions.

Service Delivery Model	Financial Implications	Governance Implications	Service Implications	Reasons Rejected by the Group
Local Authority Trading Company (Teckal)	• According to the Grant Thornton report: *Spreading Their Wings: Building a Successful Local Authority Trading Company* most local authority trading companies receive a working capital loan initially. • Staff would need to be TUPE transferred across to the trust which has associated financial implications. • Teckal exemption status enables a local authority company to secure Council contracts without competition. This provides the company with a chance to get established in the market. • In order to remain eligible for Teckal status a local authority trading company must be a wholly owned subsidiary of the Council. At least 80 per cent of services must be for the Council.	• Council representatives must be appointed to the board of the company. • The Council must retain control of the company so in some places where a Teckal has been established to deliver local authority services Council representatives have been awarded double votes.	• Profits generated by the company can be reinvested in the services delivered by the company. • Grant Thornton have reported in *Alternative Service Delivery Models* that there is the potential to improve the quality of services, subject to changes in working culture.	• Members were advised that only one Council at the time of writing had adopted this model of service delivery to provide leisure services (though it has also been used to deliver other Council services across the country). The group was concerned that as a consequence it was difficult to learn lessons from other Councils about this approach to delivering leisure services. • Members were concerned about the potential need for a working capital loan in the initial stages which they considered too risky for the Council to support in the current economic climate. • Members were also concerned to learn in the Grant Thornton report *Spreading Their Wings: Building a Successful Local Authority Trading Company* that local authority trading companies are under no obligation to appoint the same external auditor, to have an internal audit service or to report to a Council's Audit Committee. • Also in this report Members were concerned to find out that some local authority trading companies have failed mainly due to; poor leadership, lacklustre business planning, limited Council support, unrealistic budget assumptions and targets.

Service Delivery Model	Financial Implications	Governance Implications	Service Implications	Reasons Rejected by the Group
Mutual	• The mutual body can potentially reduce costs by operating in a commercial manner. • Staff would need to be TUPE transferred to the mutual body, which has financial implication. • Grant Thornton have reported in the report *Alternative Service Delivery Models* that there is the potential that efficiency savings could take time to achieve.	• The Council would have limited control over services. • Accountability would potentially be managed through contract management.	• Grant Thornton have reported in *Alternative Service Delivery Models* that there is the potential to improve the quality of services, subject to changes in working culture.	• Members were concerned that this model of service delivery would not provide the opportunity for the Council to learn from the expertise of established external service providers. • The group was not convinced that this model of service delivery would achieve efficiency savings as quickly as needed in the current challenging economic environment for local government.
Joint Delivery Vehicle (Public)	• Risks and financial investment is shared with other public bodies in a joint venture. • Grant Thornton have reported in *Alternative Service Delivery Models* that savings of approximately 10 – 15 per cent could be achieved in 18 months using this model.	• Control would be shared between the public bodies involved in the joint delivery vehicle. • Some accountability would potentially be achieved through contract management.	• Expertise can be shared with other service professionals used to delivering services in a public sector environment which could lead to improvements in service quality.	• The group was concerned that in the current highly competitive leisure services market the Council would struggle to attract another local authority to work in partnership on this type of venture. • Members noted that the Grant Thornton report *Alternative Service Delivery Models* listed this model as being typically used for Highways services. They were keen for the Council to adopt a model that was more commonly associated with delivery of leisure and cultural services.

Service Delivery Model	**Financial Implications**	**Governance Implications**	**Service Implications**	**Reasons Rejected by the Group**
Joint Delivery Vehicle (Private)	• Risks and financial investment is shared with a private sector provider. • This model can benefit from an element of profit share. • Cost reductions can be up to 10 to 20 per cent in 12 to 18 months together with investment from the private sector according to Grant Thornton's *Alternative Service Delivery Models* report.	• The Council would have limited control over services if this model is adopted • Some accountability would potentially be achieved through contract management.	• Expertise can be shared with the private sector which could lead to improvements in service quality.	• Members were concerned to learn that this model of service delivery is more typically used for Finance and Housing Repairs Services. They were keen for the Council to adopt a model that was more commonly associated with delivery of leisure and cultural services.