

STRATEGIC INTERVENTION UPDATE

Relevant Portfolio Holder	Councillor Pat Witherspoon
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering , Director of Finance and Resources
Wards Affected	All
Ward Councillor Consulted	No
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To advise Members on the Strategic Intervention that has been undertaken in relation to the Purpose of “Provide Good Things to See, Do and Visit and the proposals for next steps.

2. RECOMMENDATIONS

- 2.1 It is recommended that Executive consider the update and request that officers undertake the following:
- 2.1.1 Undertake survey work with residents to understand why members of the community do not use our facilities and identify services that would encourage more use
- 2.1.2 Undertake a feasibility of the Palace Theatre to establish the cost benefit of altering the venue to provide more seating and improved access to the box office. This is to include the benefits of retaining VAT on the cultural income
- 2.1.3 Undertake a review of the Redi Card/ concessions to ensure this best meets the needs of the vulnerable members of the community
- 2.1.4 Undertake soft market testing with external providers to understand future provision with reference to community activities and influence
- 2.14 Provide a detailed external feasibility of the options available for both in house company and external market appraisal
- 2.15 Present an options report back to Executive to include a comprehensive appraisal on each of the 3 options; maintain in house provision, establish an in house delivery model or outsource to an external company

3. KEY ISSUES

Financial Implications

- 3.1 The Medium Term Financial Plan includes £480k to be delivered by 2019/20 in relation to the provision of an alternative model of delivery within Leisure Services. Over the last 18 months officers have been identifying and delivering ways to reduce the costs of the leisure provision to ensure that should an alternative delivery model be approved then the service is at its most efficient. This report details work that has been undertaken and proposes next step to ensure that prior to any final decision all relevant information is available.
- 3.2 Subject to Executive decision on the proposed recommendations, the further report in November will identify any funding shortfalls and options for meeting any financial gaps. It is worth reminding members that balances of £2m are available to support any short term funding issues whilst further work is being undertaken to ensure the right opportunity is made to provide the best service to residents.

Legal Implications

- 3.3 There are no direct legal implications as a result of this report or the ongoing review of the Leisure Offer. The options appraisal will include the relevant legal and governance details to ensure members can make an informed decision on the future model of delivery.

Service / Operational Implications

- 3.5 As members are aware a number of reports have been presented over the last 12-15 months to enable an understanding of the services provided within the Cultural and Leisure department. These services form a small element of those that support the Council's Purpose of 'Provide good things to see, do and visit'. Over the last 6-12 months the Council Plan has been developed and approved and the aim of officers is to ensure that the delivery of services best meets the aims of the Council Plan. The key actions to deliver are:
- Create flourishing town and district centres
 - Provide well maintained community parks and green spaces
 - Support the provision of leisure opportunities for the whole Borough
 - Provide a culturally diverse programme of events and arts activities

- 3.6 A key action within providing leisure opportunities for the whole Borough is to ensure leisure facilities are fit for purpose and engage with residents to understand their needs. This is an important element when assessing a new delivery model for service provision.
- 3.7 In previous reports members have requested that officers look to improve revenue to the Council through leisure services but to also continue to intervene to improve efficiency and reduce costs. This is an area where much of the work has been undertaken to ensure that any model for future delivery is supported by efficient and, where possible, commercial activities to enable the council to benefit from any saving or additional revenue generated prior to any transfer. The outcomes of this work is detailed later in this report.
- 3.8 Previously officer have identified 3 options for the delivery of leisure and cultural services across the Borough . These are :
- Continued in-house management
 - External Delivery via an external leisure operator
 - Creation of a new leisure trust

3.9 **Continued In House Management and Delivery**

Within the option of in house management the Council would continue to be responsible for the operation of the facilities and services. The staff would remain employed by the Council and the in house support services would continue to be utilised. All control and influence would remain with the Council. Officers would continue to drive through efficiencies and increase income to ensure that the Council reduces its subsidy to support the services provided.

There are no financial benefits from Business Rates or VAT savings from this continued model. It is worth noting that the Business Rates are currently approximately £220k per annum.

Advantages :

- Retention of strategic and operational control
- Ability to change and influence services provided to the community
- Ability to link across strategic purposes with other Council services
- Avoids set up costs

Disadvantages:

- No NDR or VAT savings
- All risk retained with Council
- Councils have other priorities to align scarce financial resources

3.10 Creation of In house trust/company

There is the opportunity for the Council to establish its own company to undertake the operation of the facilities and services. This would be either a Teckal company or other social enterprise model (trust) . These both offer the opportunity for the Council to retain greater influence and control the Council over the service delivery. Both models would benefit from VAT and Business rate savings. Whilst both would also require staff to TUPE across as they would be standalone entities, the governance arrangement at the Trust would have less members on the Board and may lead to a dilution of control and influence. The Teckal company would only have council members as its decision making body.

Teckal:

It should be noted that whilst the new leisure company will be wholly owned by the Council, the company must meet the requirements relating to independence as set by HMRC in order to achieve the VAT savings identified and to meet the NNDR relief tests. At the same time the company must also remain 'Teckal' compliant in that the Council must be able to exercise a similar level of control over the company's activities as it does over its 'in-house' functions and activities. For clarification 'Teckal' is a term derived from a European precedent that enables a public body to set up a company for which at least 90% of its activities are on behalf of that public body. This enables the Authority to set up the company and award it a contract to provide council services without undertaking the normal procurement process. Whilst there is clearly a tension between securing the requirement for control (Teckal compliance) on the one hand, and demonstrating sufficient independence (for HMRC's requirement) on the other, there are precedents where other authorities have achieved leisure companies which meet these requirements.

Having considered a recent creation of a Teckal arrangement for Newark and Sherwood officers have identified the cost of setting up this model is approximately £30k-£50k.

Advantages :

- Retain greater influence on the operation
- Close relationship with partner organisations
- Benefit from NDR and VAT savings
- More responsive to local needs

Disadvantages:

- Retain potentially high overheads from the Council
- All risk retained with Council

3.11 Outsourcing to the Market

This would be undertaken by a European Procurement exercise. Any supplier could bid for the contract based on the specification drafted by the Council which would be informed in part by the Sports and Physical Activity Strategy as presented to this meeting. Any organisation could bid for the tender, national organisations through to smaller local independents. In general terms these organisations are not for profit organisations and they can therefore benefit from tax exemptions and business rate relief. They are not necessarily a trust in its purest form (eg mutual) but still benefit in the same way a charitable trust can. These organisations are generally specialists in the provision of leisure services and can often provide greater savings and efficiencies due to this specialist knowledge of the market.

Specification would be at the Councils discretion as to what is required in relation to control and influence. This would also have to be clear around the asset maintenance responsibility to ensure that any savings accrue back to the council.

The bid would be assessed by council officers on the basis of the tender specification. The savings to the council would reflect the freedom given to the suppliers in carrying out the contract in the open market.

The support services within the Council would no longer be required and further savings could therefore be made.

Advantages :

- Benefit from NDR and VAT savings therefore lower cost to the Council
- Income and cost risk transfer from the Council
- Single focus on the service provided
- Faster decision making
- No reliance on council support services

Disadvantages:

- Reduction in influence and control
- Potential additional cost to provide community activities
- Initial funding and set up costs
- Council locked in to formal contract agreement

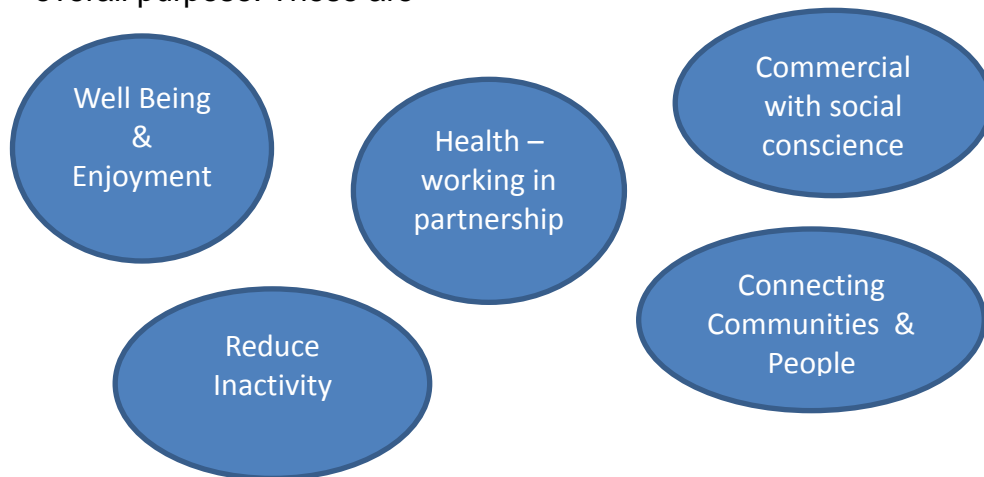
3.12 The options appraisal presented to members was at a high level and included Bromsgrove District Council services together with Redditch. It is worth noting that Bromsgrove Council are not looking to explore further any opportunities as they have recently retendered for their outsourced Leisure contract. In addition over the last 2 years councils have looked to be more commercial in their approach and there are a

number of other ways that companies can be set up by Councils to support the delivery of services whilst attracting financial benefits that an internal council service cannot achieve.

- 3.13 As mentioned previously, members requested that further work be undertaken to ensure that the most efficient services are provided to the community prior to any decision being made on the future delivery option and to ensure that the focus is to meet the strategic purpose for all members of the community rather than what is advantageous and of interest to the “market”. The most appropriate way to understand the community and ensure that services best fit customer need is to undertake a Strategic Intervention which would inform the model of delivery for the future.
- 3.14 To undertake a strategic intervention within a service or across a purpose it is important to have a framework in place to ensure that the outcomes can be measured in delivery of the services to our communities. The framework that we have used to develop and gain knowledge for the intervention is attached at Appendix 1.

Purpose

- 3.15 The initial element to understand is the purpose of the system that is being considered. The purpose of “Good things to see, do and visit” encompasses a number of themes that together would achieve the overall purpose. These are



- 3.16 These themes underpin the delivery and achievement of the strategic purpose.

In addition officers have looked to understand

- What we are responsible for providing
- What do we need to influence

- What are people's needs and are they being met by us / anyone else

3.17 Limited surveys have been undertaken outside of the general Worcestershire viewpoint or Mosaic analysis that may be attributable to our communities. There is significant information available from our own customers but officers have identified a gap in our understanding of non users and why they do not use our facilities. It is important to be aware of this prior to providing services in an alternative model to enable the Council to be certain that it is meeting the needs of all members of the community. It is therefore proposed that further work be undertaken to identify and survey non users of the service to enable their views to be considered as part of the wider model of delivery.

Other facilities/ services / partnerships

3.18 With the ever increasing financial pressures that the Council faces it is important to understand what else is provided for residents that may compliment the work we do. There are many other sports/ leisure activities provided by different organisations across the Borough. Officers have identified that in addition to the activities provided by the Council, residents have the opportunity to be involved in at least;

- 29 football clubs
- 7 gymnastic clubs
- 6 dance clubs
- 5 cricket activities
- 4 Angling, fitness and table tennis

3.19 Whilst not exhaustive this demonstrates that there are a significant amount of other organisations that are meeting the residents needs and these may be areas that the Council wishes to work in partnership with to facilitate more activities to further enhance the well being and enjoyment of the residents. The Council has an important role to play in the delivery of the Strategic Purpose but it is clear that working with partners, particularly around the health and well-being and preventative work is key to improving the lives of our residents. It is proposed that further work be undertaken to understand how the linkages can work between the CCG,GPs and the development of the leisure provision.

3.20 The services provided within the framework of Leisure services are diverse with a number generating income in a commercial way to the Council and others providing services to the more vulnerable members of the community. Over the last 2 years a significant number of initiatives have been set up or facilitated by the Council. These include;

- Sports development provision in special schools to deliver bespoke disability sessions

- Holiday camps to ensure residents have appropriate, low cost safe environments for their children during the school holidays
- Support to Couch to 5k initiative. 1800 people now take part in this event and there are regular park run activities in the Borough parks and open spaces.
- Increased number of health interventions and programmes at a lower/ subsidised cost to residents
- Learning on line supporting adults with one to one employment skills with a 84% success rate for local unemployed adults engaging with the scheme
- Learning on line worked with partners to develop a leaning strategy to support residents in the search for skills and employment

3.21 As mentioned previously much work has been undertaken to reduce costs and improve income within the area. This work has been focused on 3 main themes.

- Income
- Efficiencies
- Assets (work currently has been focused on making the Councils assets more efficient)

3.22 **Income**

Palace Theatre

Overall there has been an increase in revenue generated of over £200k over the last couple of years. This has been as a direct result of :

- On Line booking has significantly increased the share of income received with a 65% increase in on line sales
- Focused marketing and marketing officer in place to promote the events to the widest audience
- New bar system has enabled orders to be transferred between tills so users can sell and serve faster and improving income. In addition a more diverse range of products is on sale. Secondary spend last financial year hit over £115k the highest ever with an increase of £9k on the previous year's surplus
- The theatre has been promoted to filming companies with this being a increasing market for hiring over the last year
- By growing the business to the current levels it increases demand from event managers and therefore additional fee can be claimed from the events and the team are able to negotiate better financial deals for the Council.
- Promotion of the small gallery for local artists to sell their work. Minimal income generated at present by well regarded by those who use it.

- Refit of “ the room upstairs” - Improvement of the space and better seating for performances has enabled growth in the smaller touring market and increase community access by offering the space at a very respectable rate to attract new audiences and different shows.

Abbey Stadium

Overall there has been a £9k increase in income the first quarter of 2017/18 to 2016/17 demonstrating the work the team have undertaken on increasing income. This relates to the increase in gym membership following the opening of the new facilities and a general increase in usage of the centre. The key actions implemented include :

- Changing gym membership to a 12 month contract. This was introduced in April 17 as part of the new fees and charges as agreed by members. The business case for this evidences that this will increase the average life of membership thus improving retention and income received per gym member.
- The recent review of swimming lessons has allowed officers to provide additional swimming lessons to cope with the demand from the waiting list. Also from October a number of clubs/ schools will be programmed into the pool as officers have been able to share the space more efficiently with existing clubs using the facility. As a whole the programme allows a balance for all community groups to be able to access the facilities'.
- The £85k investment in gym equipment has improved the fitness membership. The new investment into new state of the art equipment will reduce the number of complaints received as some of the equipment was dated, needed repair and was in some cases out of use for long periods.
- The £300k investment into 3 new dance studios has significantly introduced the overall health and fitness offer and is already helping to attract new members and retaining existing. Since the studios have opened the membership has grown from 2148 members to 2478. The attrition rate (how many members we lose each month) is down to 3.2% , before the studios were built we were at 4.5%. Secondly retention (how long members have stay for) has grown from an average stay of 13.4 months to 19.7 months. The additional capacity created has already meant more members and non members are able to access the classes they want at a time that suits them. This will improve the overall satisfaction with services.
- Virtual cycling :This will aid with retention and attrition rates as customers will be able to get onto a class anytime of day without booking. Also if an instructor fails to turn up customers can access the Virtual so a class does not have to be cancelled.

- Admission control has improved the admission control at the venue reducing the possibility of non members using the health and fitness facilities' on an unauthorised basis.

Community Centres

- A Strategic marketing plan was developed with an emphasis on securing new sales at point of enquiry. Ensuring the customer experience is positive and commercial throughout the journey of calls/emails/centre tour/booking/payment/access/feedback. Trialling special offers at quiet times of the year. Income targets were overachieved for 16-17 by over £6k for the commercial centres.
- A consultation plan was created in summer 2016 to gain a broad range of data and feedback on the community centres service in order to ensure the marketing plan was specific and relevant, to improve customer satisfaction, gain an idea of non user needs and interests and how effective the existing marketing has been. The results provided a wealth of information which has supported the strategic marketing plan and helped to build up new business at three out of four of our centres. It has acknowledged a support need from customers regarding their own personal group marketing to ensure retention of existing bookings. It inspired officers with new group/ class ideas that the local community would like to engage in. It further provided feedback and areas for improvement at both asset standards and staffing standards levels.
- Installing vehicle trackers to create a streamlined and efficient courier/post run. This has freed up 4hours per week which at present can be dedicated more to the customers and service standards but in future could be made as an efficiency to the service.
- The conversion/transformation of disused store rooms at each centre has been free and near completion. By storing cleaning materials more efficiently; it has freed up space at centres which is potentially hireable. Winyates Green office has been taken on by the preschool on an hourly rate. Oakenshaw has two external business opportunities exploring the possibility of a long term hire agreement. Batchley office is converted and is being hired for a number of hours per week but still has capacity. Windmill store is still to be converted.
- An electronic booking system is being explored to reduce barriers to making bookings, increase income, free up management time and improve the customer experience. A

number of providers have been explored but have not been suitable so far. In the meantime, the current paper system has been streamlined.

- Following the results of the consultation in summer 2016 an overwhelming majority thought that the charges for room hire were extremely good value for money. For this reason officers proposed to increase our F&C's by 5.5% instead of the suggested 3% as there was enough evidence to suggest the council retain existing customers. 100% of our customers have continued to use the facilities since the new charges came into effect.
- To improve standards of the environment and encourage more use of the facility there has been a complete internal redecoration and new flooring at Winyates Green and external redecoration at Batchley.

Other services

- Commercial activities in the parks are now chargeable, with a lower rate for charitable organisations
- Opening of the driving range at Pitcheroak golf course
- There has been a £19k reduction in the Council subsidy for Sports Development activities
- Increase in sales at Forge Mill Museum shop of £4k
- There has been an increase of £20k to £154k for the community centres due to increased marketing and promotion of the facilities.

3.23 Efficiencies

Palace Theatre

- Closing the box office when demand is low and enabling the team to focus on marketing and promotion when less resource needed at the box office due to on line bookings
- Investment of £26k into upgrading one major element of the stage lighting, taking down 30,000 watts of old equipment and replacing with 2000 watts which produce 16 million colours of light at the touch of a button and no lamps to change saving around £1k pa together with savings in staff time not having to change colours in lights. The manager also re designed the system to be more efficient and accessible and savings realised in electricity.

Abbey Stadium

- The £100k investment into LED lighting will reduce the spend on utilities by over £28k pa.

- Electric car charging facility - the introduction of this helps to improve the environmental offer provided at the site which has the potential to attract new users to Abbey Stadium
- Solar panels on the stadium - This investment has yielded £4.5k in additional income.
- New phone system installed so customers can be called back rather than waiting for long periods in the queue. It also offers a number of message options signposting customers to the web site for simple enquiries and stating where they are in the queue. Also the system provides management reports which have allowed the management to identify demand coming into the site down to a half hourly basis. This has been used in the recent service review which has helped to determine the overall hours that need to be deployed on reception to satisfy demand presenting itself.

Community Centres

- A task group has been set up to look at the staffing structure for the community centres service. This will include a full review of job title, duties and hours. The aim is to improve the customer experience, make efficiencies to the system where we have identified waste, to build the business, maintain our assets to a high standard and have the correct job roles to meet customer and service demands.
- The tracker system on the caretaker van has provided a wealth of data regarding mileage, staff efficiency, route planning and waste in the service. The tracker data has been used to support two service reviews (cleaner review and post/courier review) which has led to more efficient working.

- 3.24 As can be demonstrated from the details above there has been a significant amount of work undertaken by the teams to increase income and reduce cost.
- 3.25 In considering the Strategic Purpose and the future delivery of the element relating to Leisure it is also important to refer to the Sports and Physical Activity Strategy. This strategy is a vehicle for the Council to set out its key objectives in supporting the community of the Borough to improve health and fitness. Whilst the Council aims to be more commercial in its approach it is mindful of the social conscience and providing activities for those more vulnerable.
- 3.26 There is an ambition within the Strategy to target inactive communities in Redditch by providing activities that are inclusive for all abilities and:
- Encourage family participation
 - Develop grassroots sessions

- Create social networks and opportunities
 - Target local communities
 - Free park events
 - Work with partners
 - Subsidise activities
 - Support vulnerable / low income families to become active
 - Enable Cycle routes
 - Support Disability Training opportunities
- 3.27 It is important that any model of future delivery supports the strategy and those more vulnerable members of the community.
- 3.28 Within the current delivery there are a number of aspects that officers feel require further exploration to enable an informed decision on the future model of delivery can be made by members. These include:
- How well is the current delivery meeting purpose
 - Why do non users not use the services
 - What other leisure services do residents use
 - What do residents think about what is provided
 - What can external providers offer the Council in the delivery and achievement of the strategic purpose
- 3.29 This will enable officers to compare the options to identify which best meets the delivery of the Council Plan. In order to understand the above officers propose that further survey work is carried out to identify non users and to assess why services are not used and what would encourage them to participate in the activities provided. In addition it is proposed that soft market testing is undertaken with a number of external suppliers to explore how future models of delivery could support the Councils aims to improve health, well being and enjoyment whilst ensuring the services are provided at a lower cost. This will also identify the potential costs associated with the influence that the Council may still wish to have on any outsourced model of delivery.
- 3.30 Due to the changes in the available models that may benefit the Council in supporting the strategic purpose it is also proposed that a detailed external options appraisal be commissioned utilising a proportion of the funding already identified as part of the medium term financial plan. A summary options report has been presented to members in the past but this included Bromsgrove Council and all of the services provided by the Borough. Due to the considerations and opportunities identified above it is proposed that the options appraisal is commissioned to focus on the councils facilities (excluding parks and open spaces) .

Customer / Equalities and Diversity Implications

- 3.31 By continuing the work to identify customer need and demand the Council will ensure that all of the community are supported by the Leisure offer.

4. RISK MANAGEMENT

- 4.1 The shortfall in the financial plan will be addressed as part of the budget pressures to be funded by savings across the Council

5. APPENDICES

Appendix 1 – Strategic Intervention Framework

6. BACKGROUND PAPERS

Financial outturn and schedules from managers available from Finance and Leisure and Culture

7. KEY

None

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