

REVIEW OF OPERATION OF LEISURE SERVICES

Relevant Portfolio Holder	Cllr. Pat Witherspoon, Portfolio Holder for Leisure & Tourism
Portfolio Holder Consulted	Yes
Relevant Director	Sue Hanley
Wards Affected	ALL
Key Decision	YES

1. SUMMARY OF PROPOSALS

- 1.1 This report provides Members with the findings of an externally commissioned options appraisal of potential management options for the delivery of leisure and cultural facilities and services.
- 1.2 The report provides the Executive Committee with an overview/assessment of the options appraisal and identifies additional work which may be required.
- 1.3 Executive Committee will have the opportunity to consider the recommendations of Overview & Scrutiny Committee who have fully considered the options appraisal.

2. RECOMMENDATIONS

The Executive Committee is asked to RECOMMEND to Council:-

- 1. Consider the report and the options appraisal and decide if any of the identified alternative models for the delivery of leisure and cultural services be pursued;**
- 2. If an alternative delivery model is decided, for Officers to commission external support and advice to undertake a further comprehensive business case at an estimated cost of £25,000 to £30,000 and for Officers to identify the funding source for this work.**

OR

3. **Should Members consider that further work is required prior to a decision on the future delivery of leisure and cultural services, RECOMMEND to Council:-**
- (a) **Release of balances in 2015/16 of £100,000 to offset the income budget that has been allocated in the Medium Term Financial Plan and transfer of £50,000 from the Business Rates levy reserve that is no longer required for 2014/15. These transfers will therefore remove the £150,000 projected savings in 2015/16 (reference 3.9);**

and RESOLVE to:

- (b) **Complete the transformation work which has commenced to gain a greater user/ customer perspective to influence preferred delivery model(s) (reference 3.26);**
- (c) **Report back to Executive at the earliest opportunity with a timetable for delivery of any additional work with any associated costs.**

3. **KEY ISSUES**

Background

3.1 The Overview & Scrutiny Committee launched a Task Group review of the Abbey Stadium in 2013. Findings of the review were considered by 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.

Outcomes and recommendations from Overview and Scrutiny will be advised to Executive Committee for their consideration.

3.2 In acknowledgement of the work of the Task Group and exploration of opportunities to make efficiencies / savings, the Strategic Management Team directed the Head of Leisure & Cultural Services to commission an Options Appraisal. This externally commissioned appraisal required

an outline of the potential options for the future delivery of leisure and cultural services and this was specified in the brief.

“Consideration of all future management options, against the need to make budgetary savings and the aspiration to achieve service improvements.”

- 3.3 The Sports Consultancy were commissioned to undertake the Options Appraisal in April 2014. Whilst it was initially advised in the proposal letter that this appraisal would be undertaken/completed within four weeks, there were significant delays in the production of a final report, predominantly due to collation and production of the financial and service information required to support the appraisal.
- 3.4 Initial reports were received in (July 2014 and October 2014) with a final draft options appraisal received in January 2015. This report is enclosed for Members consideration at Appendix 1.

The exempt information extracted from the options appraisal is contained with Appendix 2.

- 3.5 Members of the Overview and Scrutiny Committee have undertaken pre-scrutiny work in the following stages:-
- (i) Scrutiny of terms of reference and specification to external consultant’s supplementary report and information (09/06/15);
 - (ii) Discussion of report findings (options appraisal) from consultants with supplementary information and detail (24/06/15);
 - (iii) Review of Executive report, (pre-scrutiny of this report) (07/07/15).

As Overview and Scrutiny will not have their final scrutiny/meeting until after this report is published, any recommendations will be provided to Executive as an addendum report for consideration at the meeting.

Financial Implications

- 3.6 The original cost of the options appraisal was £4,950 and was found from within existing budgets with the costs met equally between Redditch Borough Council and Bromsgrove District Council.
- 3.7 The financial implications outlined within the options appraisal (Appendix 1) can be summarised as follows:-
- (i) Current costs of service (RBC) Page 7
 - (ii) Set up costs and timetable Page 25-26
 - (iii) VAT and NNDR position Page 29-30

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|------|--|---------------------------------|
| (iv) | Financial modelling and assumptions for each delivery option | Page 31
(Pages 32-34 exempt) |
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- 3.8 Savings of £150,000 for this financial year 2015/16 were built into the Medium Term Financial Plan which was endorsed by Executive and Full Council on the 23rd February 2015.
- The Plan stated “potential savings that could be delivered from a review of how Leisure Services are delivered”.
- If Members decide not to proceed at this time with an alternative delivery model for the provision of leisure and cultural services, additional savings commensurate with this sum will need to be identified to deliver a balanced budget.
- 3.9 Should Members not proceed then it is proposed that the sum of £150,000 be met from balances which have been increased following the additional savings made in 2014/15 of £100,000 and £50,000 transferred from reserves for Business Rates that have not been required in 2014/15.
- 3.10 An additional £150,000 savings were built into the MTFP for 2016/17 and each year thereafter making an annual saving of £300,000. This budgetary gap will need to be addressed in future years’ budgets and will form part of the discussions later this year.
- 3.11 In pursuance of any further/additional detailed evaluation and external support it is anticipated that there would be a further cost to the Council during 2015/16 which will need to be budgeted for. This cost is anticipated to be in the region of £25-30,000.

Procurement

- 3.12 Procurement requirements were met in relation to the commissioning of the options appraisal (Appendix 1).
- 3.13 Should Executive agree to additional external advice being commissioned, this will be undertaken in full accordance with the Council’s procurement processes.
- 3.14 Any future commissioning or pursuance of an alternative delivery model will be predicated upon expert legal advice and guidance.

Legal Implications

- 3.15 There will be a range of legal issues if any alternative delivery model is pursued by the Council. This will require specialist legal support in respect of the following areas:-

- Pension advise
- Employment/TUPE
- Property/Leases
- Management
- Contracts
- Detailed VAT advice

Service/Operational Implications

3.16 The Leisure & Culture Management Options Appraisal delivered by The Sports Consultancy was commissioned to provide Redditch Borough Council with an independent overview of the available options/opportunities for the potential future management of leisure and cultural services.

This was never envisaged to be a comprehensive business case however the basis on which Executive could consider the available options and “best fit model” on which to make a decision as to how Officers should proceed on behalf of the Council.

3.17 The options appraisal enclosed for Members consideration provides:-

- Possible models and governance arrangements.
- Proposals for the mix of services to be included.
- Options and issues.
- Financial benefits.
- Scoring Matrix to summarise the differences between the models considered.

3.18 The appraisal considers three potential management options available to the Council:-

- (i) Continued in-house management;
- (ii) External delivery via an external Leisure Operator or existing Trust;
- (iii) Creation of a new Leisure Trust.

Thereafter it outlines in detail the advantages and disadvantages of each option for the Council to consider.

3.19 Other than retaining the status quo (delivering the services in-house), there will be a lead-in time and set up costs involved in moving to an alternative delivery model. The Sports Consultancy set out the following:-

Option 2 – Outsourcing/delivery via an external leisure operator – Potential 12 months to deliver via a competitive tendering process and between £25,000 to £75,000 in legal and advisory fees.

Option 3 – Creation of a new leisure trust – Potential 18 months to deliver and between £150,000 to £200,000 in legal, procurement and advisory fees.

Costs of any future work have not been built into the Medium Term Financial Plan and this will need to be addressed immediately if your Officers are to proceed with further work.

3.20 Whilst the options appraisal is provided for Members consideration in full, the outcomes of the options of the evaluation scores for the three models are as follows:-

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|--|-------|
| • In-house arrangement | 35% |
| • Outsourcing/delivery via an existing trust | 80% |
| • Setting up a new trust | 68.3% |

with an overall recommendation that the “Council pursue the option of outsourcing the management of the portfolio to an existing trust rather than set up a new trust”.

The appraisal outlines that annual average savings of over £780,000 could be secured if the package of leisure services were outsourced to an existing established trust in comparison with an anticipated saving of £430,000 per annum (after set up costs) if the Council were to proceed to create a new Trust. This assumes that all current service delivery is in line with the Medium Term Financial Plan and approved budgets.

3.21 Officers consider that Members could make a decision to pursue an alternative delivery model based on the options appraisal, however there are a number of limitations which need to be fully considered by Executive:-

- Whilst three different options/models are stated, there are potentially different outcomes for the service and the process to be followed. These need to be considered in conjunction with the projected financial savings, i.e. opportunity, cost and cost in delivering these.
- Whilst the financial aspects are outlined for each model, the background and supporting information is significantly weighted on the finance. The detail is more limited as to the potential service improvements and inherent benefits to residents and users.

- The focus for Redditch Borough Council needs to be that of meeting Strategic Purpose(s) and delivering for the community rather than what is advantageous and of interest to “the market”. Clearly this is a factor however not the primary focus in considering future options.
 - In respect of the scope of the service(s) proposed (or not) for inclusion there is a degree of simplicity in the assumptions which could be detrimental to the Council in delivering integrated services in the future (Parks and Open Spaces). The report is limited on dealing with related services and support services.
 - It is considered that there is not sufficient detail provided in respect of the costs and capacity required to deliver on the options, with specifically an understanding and breakdown of the costs involved. This is of a fairly major concern. There is clearly the potential for a loss of all strategic capacity and resource to the Authority in Leisure and Cultural areas. Whilst this is understood, there does need to be consideration of a retained resource to provide an Authority lead in future arrangements and provision and no costs have been built into the model(s).
 - Whilst the Sports Consultancy have considered the position for both Redditch and Bromsgrove there has been limited dialogue across both Authorities in respect of the options appraisal. Bromsgrove Council have not formally considered the appraisal to the degree that Redditch have and anything that Bromsgrove has to consider is predicated on any decision (or other) that Redditch makes.
 - Senior Managers have, because of the nature of the appraisal, had very limited dialogue with staff affected and no discussion with the Trade Unions or staff representatives.
- 3.22 The options appraisal outlines a range of traditional options in the leisure field however it is considered that these are not the only options available to the Council and Officers consider this will require further exploration and work.
- 3.23 Whilst it is regrettable that the time lapse from that originally anticipated has prevented consideration of the various models and opportunities by members, this has also afforded the Senior Management Team with the opportunity to understand new developments in the market and the potential for a wider range of delivery models, including the following not covered by the options appraisal:-
- Commissioned/outsourced parts or elements of the Leisure and Cultural services.
 - Local Authority trading company (Teckal)
 - Joint venture/Public.

- Joint vehicle/Private.
- Mutual.

3.24 Whilst the Council have clearly established Strategic Purposes and a clear vision for the delivery of these purposes, there are a range of challenges which need to be considered before embarking on a leisure delivery model.

- To ensure the services continue to contribute and deliver on:-
 - Provide me with good things to see, do and visit;
 - Help me live my life independently;
 - Help me find somewhere to live in my locality;
 - Keep my place safe and looking good;
 - Help me to be financially independent.
 - Help me run a successful business.

The other key drivers for the Council include:-

- Maintenance of high quality services (with rationalisation of facilities provision if required).
- Deliver significant operational cost savings.
- Deliver a financially stable future for leisure, cultural and associated services.
- Increase user and community involvement in the services.
- Find the most appropriate delivery model(s) to ensure the future sustainability and stability of the required services.

3.25 Officers consider it would be in the best interest of the Council and to the communities and users of the services to gain a much greater and detailed understanding of what it is that we should be prioritising and focusing delivery upon.

Scoping work has already commissioned at the Sports Centres with the team using systems thinking methodology spending time in the business understanding:-

- Incoming demand (What is being asked for; what matters to our customers with the type and frequency of demands).
- Unmet demands (if we are turning customers away, how often and why).
- Usage figures and trends.
- What (if any) barriers exist and what works well and is valued.
- Greater understanding of workflows.

This transformational work cannot be limited to the sports centre and whilst our teams going forward have a key role it is considered that additional support and advice from external experts within the leisure

field to provide independent clear and accurate advice would be required by Council if an alternative delivery model is to be pursued.

Should there be the opportunity to realise efficiency savings and or realign services during any intervention, these will be pursued.

- 3.26 Should Members agree that further work is required, the following steps are suggested:-

Will require indicative stages, costs and timescales including the following

- Completion of transformation work;
- Full set of measures/data;
- Review of performance and operating arrangements;
- Commission a further detailed options appraisal (objective assessment of each option against Council purposes);
- Customer and stakeholder engagement; and a
- Costed delivery plan.

- 3.27 Executive Committee will need to be appraised of indicative stages, costs and timescales at the earliest opportunity.

Customer / Equalities and Diversity Implications

- 3.28 At present as there is no formal recommendation to Executive in respect of a proposed operating model, detailed equality impact assessments in respect of staff and customers have not been undertaken. At the point at which a formal recommendation is made on a proposed model then such assessments will be a prerequisite element of a report for consideration.

4. RISK MANAGEMENT

Whilst the advantages and disadvantages of each of the three models are detailed within the options appraisal, the greater risks to the Authority in any outsourced model are set out below.

Outsourcing or Establishment of a New Trust

- Reduced control and day to day influence (more influence and control with a new trust).
- Requirement for funding and resources for the initial procurement and thereafter any re-tendering (set up costs/establishment costs).
- Staff transfer/TUPE/Terms & Conditions.
- Reduced strategic capacity (Council).
- Reduced ability to direct and deliver against strategic purposes including health and well-being.

Additional Risks (New Trust)

- Reliance (short term) on Council's enabling and support services.
- Depending on size, inability to raise capital and no proven track record.

Clearly these risks have to be balanced against the significant financial savings, of which typically the greatest savings are achieved through an alternative model ie a Trust with the potential for even more savings to the Authority by competitive outsourcing.

5. APPENDICES

Appendix 1 Sports Consultancy Initial Options Appraisal
Appendix 2 Exempt information from Options Appraisal

6. BACKGROUND PAPERS

Overview and Scrutiny papers.

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