APPENDIX 1

NORTH WEST TRUST RESEARCH STUDY

A

REPORT

BY

PMP

JUNE 2007

CONTENTS

Introduction

Background

1.1 PMP were commissioned by Sport England North West and SPORTA in November 2006 to conduct a review of the overall effectiveness and potential of the trust sector in the North West.

1.2 The review is intended to provide both Sport England and SPORTA with a greater understanding within the North West of the following key areas:

- scale and scope of the trust sector
- effective governance of trusts
- relationship between trusts and the local authority
- current performance and prospects
- capability and capacity of both trust leadership and the workforce
- current strengths and weaknesses
- future opportunities and challenges.

1.3 Since undertaking the original research, the findings and conclusions have been presented to a number of different stakeholder groups for comment and validation of the conclusions.

Methodology

1.4 The following methodology has been used for this study:

- meetings with Sport England and SPORTA representatives to discuss key issues and to help shape the questionnaire to be produced
- letter and survey to all Chief Executives of Leisure Trusts in the North West region (and a number of SPORTA members based in Yorkshire)
- letter and survey to all Chief Executives of Local Authorities in the North West region
- analysis of results
- follow up presentations to Sport England and SPORTA representatives to elicit comment and inform the final report
- presentations to wider stakeholder groups to disseminate the findings and validate the conclusions.

Trust Survey

1.5 The Trust survey consisted of 54 questions with a mixture of open and closed questions. The main themes are highlighted overleaf:

- About the trust
- Rationale for transfer and trust objectives
- Relationship with local authority
- Investment in facilities
- Future challenges and opportunities.

1.6 14 of the 15 North West trusts responded:

Bolton Middlebrook	Cadsart	Oldham
Hyndburn	Lakes Leisure	Rossendale
Pendle	Rochdale*	Tameside
Salford	Stockport	Carlisle
Trafford	Wigan	

*Completed from local authority perspective due to current transfer process at the time of the survey.

Council survey

1.7 A slightly amended survey was forwarded to Chief Executives of the corresponding local authorities. The themes remained the same, however the emphasis was from the local authority perspective.

1.8 Eleven responses were received from Local Authorities:

Bolton	Carlisle	Ellesmere Port and Neston
Rochdale	Trafford	Salford
South Lakeland	Chester	Rossendale
Pendle	Tameside	

Report structure

1.9 The report layout broadly follows the general themes discussed in paragraph 1.5:

- Section 2 – An Introduction to the trust sector
- Section 3 – Rationale for trust transfers
- Section 4 – Trust and local authority relationships
- Section 5 – Trust Performance
- Section 6 – Future Challenges and Opportunities
- Section 7 – Policy Recommendations and way forward.

Basis of information

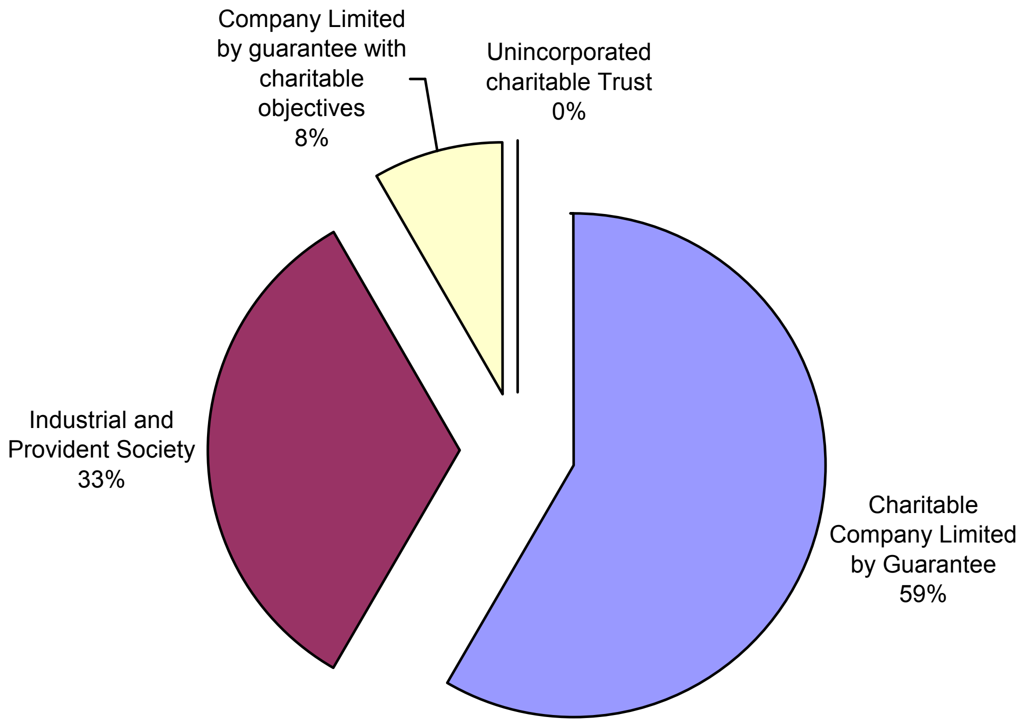
1.10 This report has been conscientiously prepared on the basis of our research and information made available to us at the time of the study. Neither PMP as a company nor Sport England or SPORTA as commissioners of the work will be held liable to any party for any direct or indirect losses, financial or otherwise, associated with any contents of this report. We have relied in a number of areas on information provided by third parties, and have not undertaken additional independent verification of this data.

An Introduction to the Trust Sector

Types of Trust

2.1 There are 4 main types of trust, and the North West is primarily made up of Charitable Company's Limited by Guarantee and Industrial and Provident Societies as illustrated below:

Figure 2.1 Types of Trust



2.2 Trusts were asked when and how they came into being and the results are summarised below:

- the first trust to be established in the North West was in April 1996 and the most recent transferred in April 2007
- the majority of trusts have a lease of between 20-25 years on the Council's facilities and a number have contracts and service level agreements which correspond with the lease or are on shorter terms
- over 80% of trusts were started as a result of Options Appraisals or Best Value Reviews. Only 2 trusts within the region were initiated without any prior options appraisal.

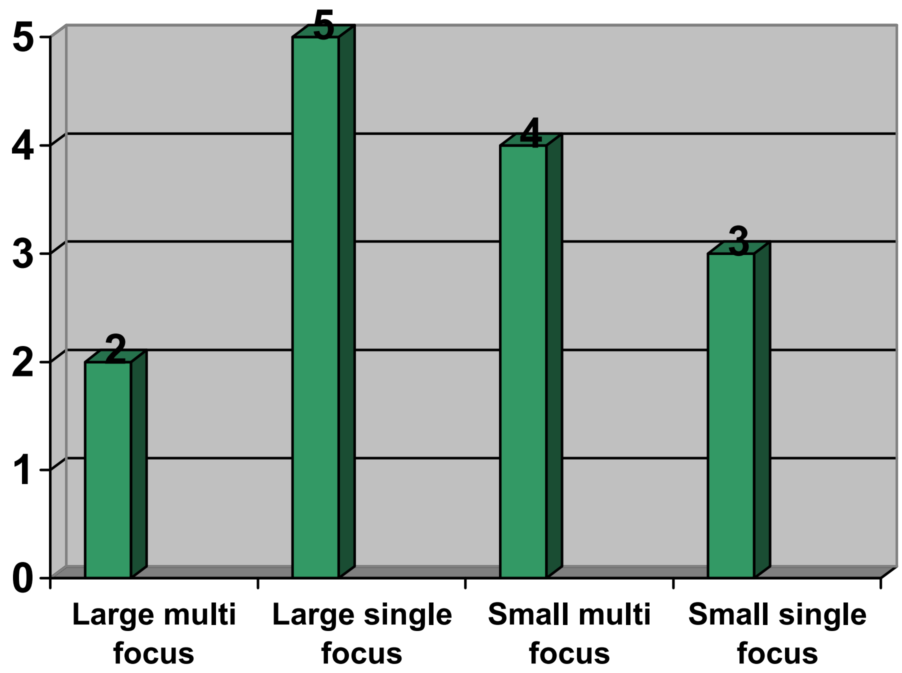
2.3 Over two thirds of North West trusts were established between April 2002 and June 2004, illustrating that the sector is still very much in its infancy.

Scale and scope of Trust

2.4 An initial hypothesis of the study was that the smaller single focus trusts are more vulnerable to market fluctuation and local government change than larger multi focus trusts and more reliant on their local authority. As a result the study attempted to break down trusts into 4 groups to see if this was in fact the case. These groupings were based on a combination of:

- Number and type of facilities and services
- Turnover
- Number of employees

Figure 2.1 Scale and scope of trust



Trust Governance & workforce

2.5 Trusts were asked to comment on satisfaction levels with board make up and workforce skill levels:

- only one of the trusts is fully satisfied with current workforce skill levels, the majority were fairly satisfied but a number of issues were raised around reliability of training provision and succession planning
- two of the trusts are very satisfied with the board make up and the remaining trusts are either satisfied or fairly satisfied. Those trusts who are very satisfied cite the makeup, experience, skills and knowledge of the Trustees as a key success factor
- a number of the smaller trusts find it difficult to recruit trustees and trusts of varying scales find it difficult to achieve a balance between industry skills and broader business skills.

Rationale for transfer and trust objectives

Rationale for transfer

3.1 Both trusts and local authorities were asked to state their primary reasons for transfer:

Figure 3.1 Trust rating of factors influencing transfer

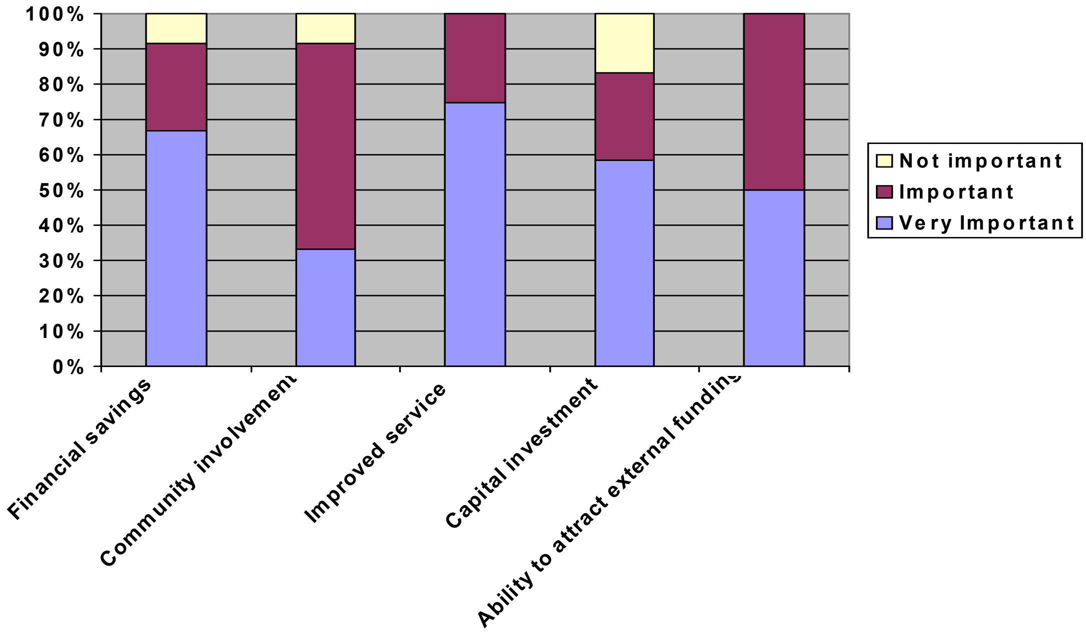
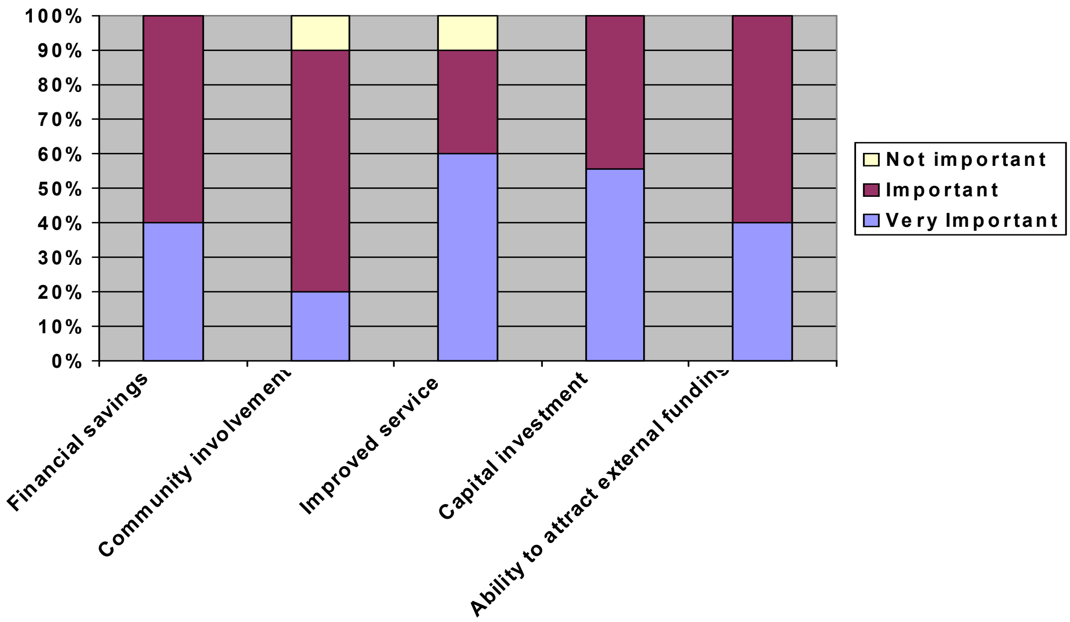


Figure 3.2 Council rating of factors influencing transfer



3.2 70% of trusts suggested financial savings were very important compared to just 40% of councils. Improved service was the highest ranked overall for both councils and Trusts.

3.3 80% of trusts and 70% of councils believe they have achieved what they set out to in relation to the transfer rationale. The remaining 20% and 30% respectively believe they have achieved this in part. Key successes include:

- achieved NNDR savings, improved service and have greater community involvement
- step change improvements to participation, community engagement and financial delivery
- better trained and more professional workforce and a new structure in which all employees can see clearly how they can make career progress
- capital funding into facilities has increased significantly and funding, grants and donations have been obtained from a number of external organisations
- introduced sports development, arts development, strengthened healthy communities.

Trust objectives

3.4 All but one of the trusts has aims and objectives clearly set out and just under half of the trusts' objectives have remained the same as at transfer. The remainder have either evolved over time or are currently under review.

3.5 The majority of trusts have the same core principles as when they were established, with some evolvement, e.g.:

- the Trusts objectives have changed to reflect outside influences, an improving relationship with the Council and partnerships with other key agencies
- the framework for achieving them alters with opportunity as it evolves over time but the objectives are routed in National Strategy.

Relationship between Trust and Authority

4.1 Trusts and councils were asked to rate their relationship with each other:

Chart 4.1 Trust rating of relationship

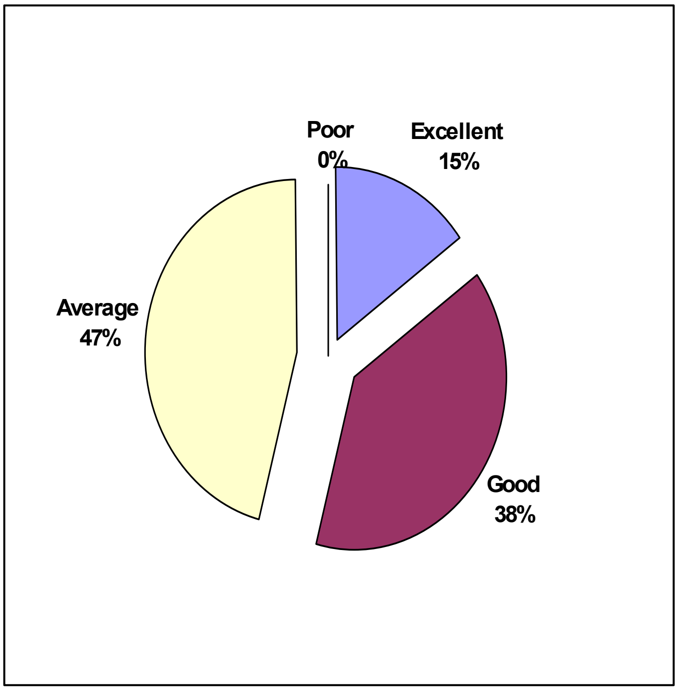
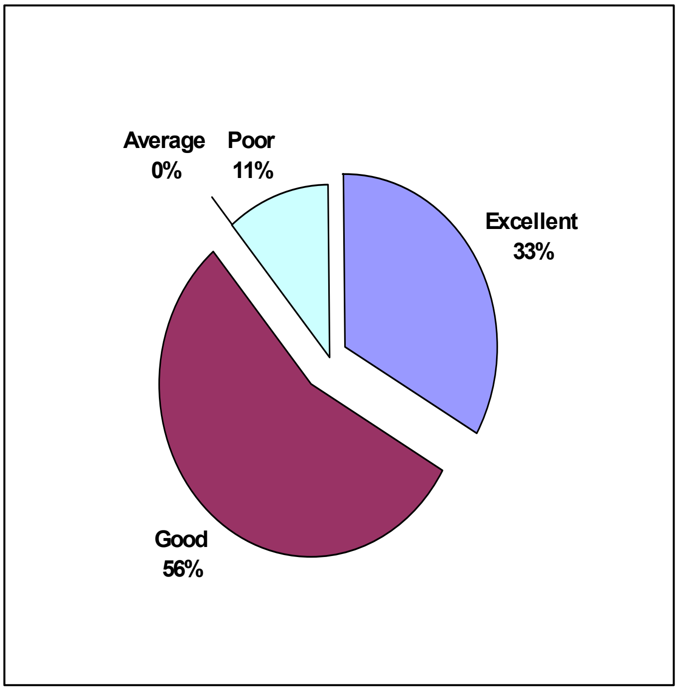


Chart 4.2 Council rating of relationship



4.2 Generally the councils' perception is more positive than the trusts with 89% rating the relationship as good or excellent compared with only 53% of trusts. Only 1 of the councils rates the relationship as poor compared with none of the responding trusts.

4.3 Six of the trusts suggested that the relationship had improved over time, compared with four Councils. Reasons for improvement included improved partnership working, greater Council interest and formalisation of the relationship.

4.4 Four councils and four trusts suggested there had been a deterioration or fluctuation in the relationship due to a number of factors including negotiation over the annual grant, changes in key personnel within the Council and limited communication with the Council.

Communication

4.5 70% of trusts said that the roles and responsibilities of both the Council and the Trust are clear, however the reminder suggested that although clear in documentation, agreements have not necessarily been shared with all of the key and appropriate staff within the Council. On occasions this has led to unnecessary conflict.

4.6 The majority of trusts have reported they have regular contact with assistant director level, which they feel is appropriate. A couple of trusts have suggested a lack of formal communication channels which leads to confusion and one trust suggested it has been difficult getting access to senior Council officers at times.

Strategic role of trusts

4.7 On asked whether they thought the Trust had a strategic role to play the council and trust responses were of significant contrast:

Chart 4.3 Trust perception of its role

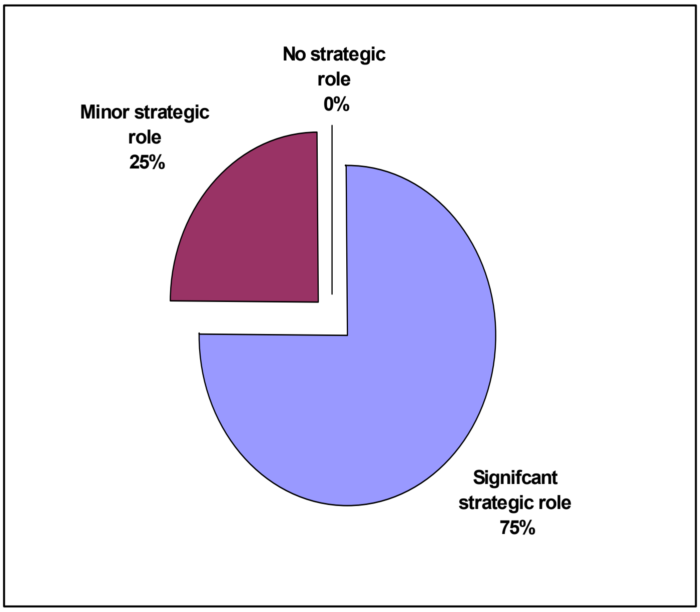
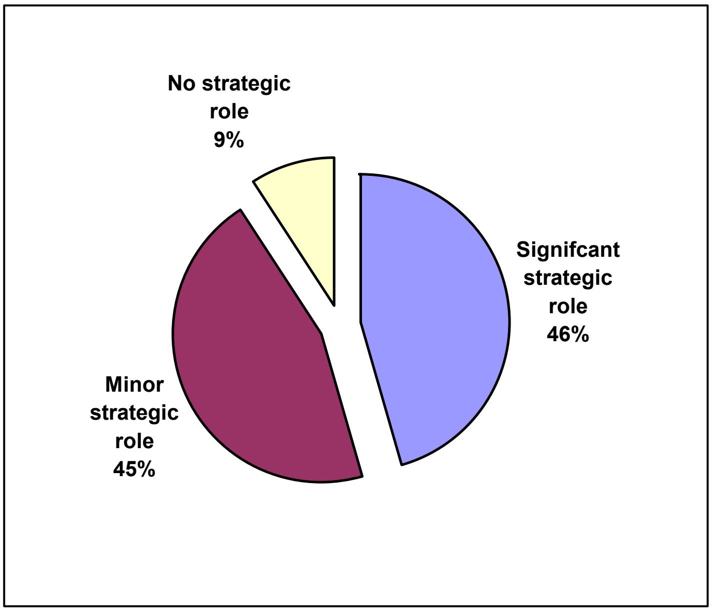


Chart 4.4 Council perception of trust role



4.8 75% of trusts feel they have a significant strategic role to play compared to only 46% of councils, however all Councils did state they believed trusts had a strategic role to play in the future:

- as the main provider of leisure activities and facilities it must play a role in the development of provision in the area
- sport, recreation and physical activity has an increasingly important role to play in helping to address various cross cutting issues, therefore the Trust's role is key.

4.9 All trusts expressed a desire to be involved in a strategic role in the future and to many it is a fundamental objective, as highlighted in the following comments:

- the Trust must be involved at the higher level as it is the vehicle which can achieve many of the authority's stated outcomes
- the Trust is working with the Council and other partners on a number of initiatives including: Community Safety, Health and Social Inclusion, as well as working with the Council for the CPA and other Government targets
- we facilitate the culture block of the LSP and lead the LSP's priority project relating to economic regeneration.

Trust Performance

5.1 The Table below illustrates what councils and trusts believe to be the main strengths and weaknesses of the trust operation.

Table 5.1 Trust rating of strengths and weaknesses

	Trust responses	Council responses
Strengths	1.Quality of service 2. Sound, practical and effective management, inc. financial 3. Vision of board and senior management team 4. Ability to balance commercial and inclusive objectives 5. Speed of decision making	1. Quality of service 2. High quality, professional management 3. Leadership and innovation 4. Not seen as part of Council 5. Flexibility of response
Weaknesses	1. Condition and age of facilities 2. Lack of financial resources 3. Increasing utility costs 4. Attracting external funding 5. Political constraints	1. Condition and age of facilities 2. Lack of financial resources 3. Reliance on the Council 4. Attracting external funding 5. Reliance on key personnel

5.2 The strengths and weaknesses of trusts are generally perceived to be the same by both councils and trusts. Strengths on the whole focus on services, whereas weaknesses are aimed at facility elements, some of which are out of the trusts control.

Trust income

5.3 The percentage of a trust's total income provided by the local authority ranges from as low as 5% to as high as 50%, with a mean of 27%. Initial impressions were that the smaller single focus trusts are more reliant on the Council's grant, however this was not borne out in the results analysis, with some single site trusts less reliant on Council grants than their larger counterparts.

5.4 The vast remainder of trust income comes from fees and charges, with grants and donations making up a small proportion of some trusts income. The majority of trusts are heavily reliant on health and fitness and swimming income.

5.5 In terms of grant negotiation, two thirds of trusts say they negotiate the grant openly and proactively with the Council, whilst the Council makes an independent decision with the remaining third. 50% of trusts have the grant reviewed annually, the remainder between 3-10 years.

Commercial focus

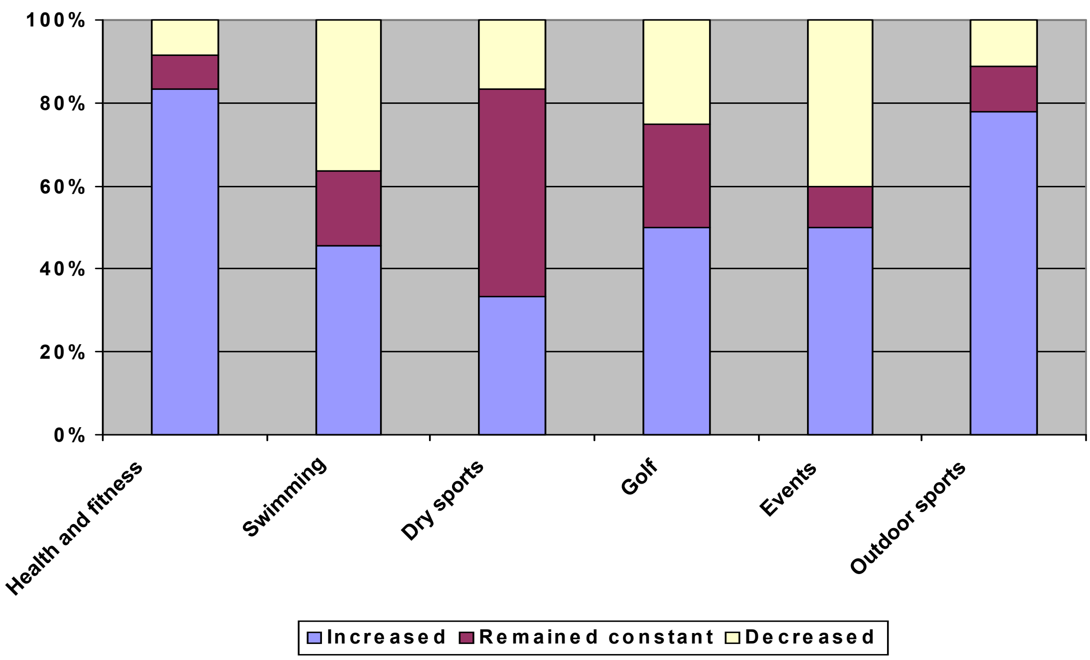
5.6 All trusts say they have become more business focused since the transfer and each trust has been able to increase income and reduce expenditure through a range of methods:

- facility development has assisted income generation via improved services and facilities
- identifying the key products and marketing them to specific target groups
- proactive purchasing of goods and services
- ability to concentrate on business and avoid politics
- IT systems and financial management has significantly improved
- staff training and improved communication with employees
- more sophisticated performance management.

Participation

5.7 The graph below demonstrates the impact on participation since trusts began to operate council facilities:

Figure 5.1 Impact on participation of trust operations



5.8 Although no actual figures were collected as part of this process it appears that on the whole participation has increased in more areas than it has decreased. The decrease in swimming can partially be attributed to temporary closures of swimming pools in some of the authority areas. (It is recommended that attendance figures are collected to demonstrate the quantum of participation increases since trusts became operational).

Future Challenges and Opportunities

Future challenges

6.1 The biggest challenges facing trusts in the future were stated as:

- **Ageing facilities** – 60% of trusts saw this as a great concern, and all trusts rated it as at least a potential problem
- **Reducing grant** – 50% of trusts saw this as a great concern and all trusts saw this as at least a slight concern or worse
- **Short termism due to length of grant** – 40% of trusts saw this as a great concern
- **Raising capital** – only 1 trust does not consider this a problem, 45% see it as either a concern or great concern.

6.2 A number of other challenges were raised:

- '*ever increasing demands on time to carry out exercises to satisfy control culture, private sector has no such distractions'*
- '*general apathy to sport and physical activity and the increased competition from the computer market'.*

Future opportunities

6.3 The following future opportunities were identified by trusts:

- **Partnership working** - BSF is a big opportunity to improve the stock of community leisure facilities and is the most logical cost effective vehicle to replace and operate some of the ageing facilities – over 60% of trusts stated that partnership working with the likes of education was a great opportunity
- **Strategic role** - keen to develop social and health inclusion with the utilisation of the trust's facilities – 65% of trusts claimed that this was a great opportunity
- **Service expansion** – the trust could operate in other areas such as Youth Services/Activities, Education, Park Management and Facility Management
- **Trust expansion** - trust mergers offer clear cost benefits especially at corporate level, but many Councils afraid of losing control.

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Policy Recommendations and the way forward

Policy Recommendations

7.1 A number of policy recommendations have been developed in response to the study:

1. Trust involvement in the local planning process

- a need for trusts to be fully engaged in the local planning process through the Local Strategic Partnership
- Trusts must become a key part of the new delivery system: County Sports Partnerships and Community Sports Networks / Sport and Physical Activity Alliances e.g. Workforce Development funding
- trusts to work in partnership with local authority to deliver CPA targets
    - '*The Trust must be involved at a strategic level as it is the vehicle which can achieve many of the outcomes. If the deliverers of the strategies were involved at the beginning they would be far easier to achieve and would avoid unnecessary duplication.*'

2. Facility Planning and investment

- trust and authorities working in partnership
- exploring opportunities such as BSF and LIFT to deliver sustainable sports facility infrastructure
- Sport England can facilitate through strategic planning support work
    - '*BSF is a big opportunity to improve the stock of Community Leisure facilities and is the most logical cost effective vehicle to operate the facilities and replace some of the ageing stock'*

3. Guidance on investment

- a need for guidance on investment – BSF, LIFT, s106, external funding bodies
- Getting connected will help
    - '*A major problem of most funding schemes is that the Trust does not often know about them or does not have the resources to complete all of the administration to get to the various stages'*
    - '*It is an extremely difficult process and requires specialist operators with dedicated time to concentrate on the acquisition of external funding'*

4. Recognition of trust role in driving participation

- trusts need to be part of Council 1% strategy and including sports development within the trust could be a positive driver to achieving such targets

- in some areas a key part of the delivery system
- acknowledgement that ageing facilities can hinder participation:
    - ‘*Ageing facilities are affecting attendances in swimming.’*
    - *‘Participation has increased in areas of investment*.’

5. Trust sustainability

- no evidence to suggest smaller trusts are less sustainable and some are less reliant on local authority grants than larger trusts
- however, smaller trusts potentially more susceptible to any facility closure as a greater proportion of income from smaller number of facilities and value for money of ‘head office’ costs will become questionable
- no conclusive evidence from this study for joining up of trusts, however potential opportunity for joint procurement, for example trusts with successful training schemes to offer services to other trusts in such areas.

6. Setting up a trust – lessons to be learned

- establish clear aims and objectives for the trust – tax savings should not be the fundamental rationale
- ensure the trust is part of the strategic planning process and involved in the local delivery systems and networks
- integration of facilities and sports development to allow joined up approach
- establish roles and responsibilities of trust and local authority early in process
- ensure clarity in communication channel with the Council
- balanced trust board – business/leisure skills.

The Way Forward

7.2 Having undertaken the survey and elicited a good level of response and input, it is now important to consider the practical implementation of the findings.

7.3 In the first instance, it is recommended that the survey findings should be shared with local authority representatives and SPORTA members to allow both parties to view the key issues and to take ownership of developing an action plan to address such issues.

7.4 Consideration should then be given to the future monitoring of an agreed action plan, whether this is in the form of a biannual survey to check on the progress of the industry or through an alternative monitoring method, is something for both parties to decide.

7.5 If the questionnaire is repeated it would be recommended that a number of minor amendments are made to allow more detailed information on participation and throughput to be collected. This would then allow a number of baseline Key Performance Indicators to be developed and monitored.

7.6 The survey highlighted some good examples of trust initiatives to increase participation and performance. It would therefore be beneficial to develop a number of best practice case studies to allow good work conducted by trusts to be recognised and potentially implemented in other areas.