

Cheshire East Management Options Appraisal

What we are going to cover...

- key features of each management option
- Council financial overview
- summary of work being undertaken
- next steps & timescales.



Management options

- in-house management
- private leisure contractor
 - hybrid trust
- non profit distributing organisation (NPDO)
 - new Trust
 - existing Trust
- management buy-out
- trade sale.



Key Features

Continued in-house – key features

- Council have direct control of the facilities and services
- staff are employed by the Council
- Council retains all income and expenditure
- uses the central support services of the Council
- no fiscal savings (NNDR/VAT)
- operating risks (third party income) remain with the Council
- maintenance risks remain with the Council
- assets remain with the Council.

Private management contractor - key features

- Council has a client role – managing the contract
- fixed contract term (5 – 15+ years)
- Contractor charges an agreed management fee
- contract terms include a specification and payment mechanism
- contractor retains income and expenditure and associated risks
- contractor maintains facilities, although the Council retains structural and plant responsibilities
- Hybrid version generates NNDR savings (75%)
- TUPE applies to staff transfers
- contractor uses own central support services
- assets are leased to the Contractor linked to contract term.

Trust – key features

- Council has a client role – managing the contract
- fixed contract term (5 – 15 years)
- existing trust manages the facilities – contract and specification
- Council could establish a new Trust – annual grant agreement
- TUPE applies to staff transfers
- Trust maintains facilities, although the Council retains structural responsibilities
- operating risk transfers to the Trust – to an extent!
- assets retained by the Council
- Potential savings in Central Support Costs
- NNDR and VAT savings can be made

Management buy-out – key features

- different things to different people...
- we have defined this to be:

“Leisure Management sets up a Trust Company to manage the facilities”



Management buy-out – key features (cont.)

- open ended contract linked to an annual grant agreement
- TUPE applies to staff transfers
- assets leased to management team
- possible savings in central support costs
- asset risk likely to remain with the Council
- NNDR and VAT savings
- operational risk transferred to the MBO – to an extent!

Trade sale – key features

- sale of the assets (e.g. golf course) to a new or existing leisure provider
- sale generates a capital receipt
- central support cost savings
- all operational and asset risks transferred to the third party
- TUPE applies to staff transfers
- Council loses all control over programming and pricing
- commercially focussed approach and facility mix likely

Headline Options Appraisal

Council financial context

- efficiency savings £500k pa required for medium term financial strategy
- costs are rising faster than income can keep up
- medium term financial plan needs to plan for how 'equilibrium' can be achieved – and maintained
- No significant capital investment earmarked outside of existing repairs & maintenance
- large property portfolio requires significant annual investment to maintain
- borrowing is possible but repayment adds pressure to the revenue position – and council tax.

Service review

- increasing annual cost of leisure
- Variable service levels and differing approaches by old constituent authorities
- Opportunities for greater development working and coordination across Cheshire East
- Need to consider links with key agendas, such as health and education
- Ongoing FIS work needs to be factored in.



Summary of options – financial evaluation

	In-house	Private	Hybrid	New Trust	Existing Trust	MBO	Trade Sale
NNDR Savings	x	x	✓	✓✓	✓✓	✓✓	x
VAT Savings	x	x	x	✓✓	✓✓	✓✓	x
Capital Receipt	x	x	x	x	x	x	✓✓
Central Support Savings	x	✓✓	✓✓	✓	✓✓	✓	x
Buildings/Equipment Risk Transfer	x	✓	✓	✓	✓	✓	✓✓
Operating Risk Transfer	x	✓✓	✓✓	✓	✓✓	✓	✓✓
Income Generation	x	✓✓	✓✓	✓	✓✓	✓	x
Capital Finance	x	✓✓	✓✓	✓	✓	✓	x
Set-up Process Costs	✓✓	✓	✓	x	✓	x	x
Subsidy Level	x	✓✓	✓✓	✓	✓	✓	✓✓

Summary of options – non-financial evaluation

	In-house	Private	Hybrid	New Trust	Existing Trust	MBO	Trade Sale
Council influence level	✓✓	✓	✓	✓✓	✓	✓	×
Impact on Staffing	✓✓	✓	✓	✓	✓	✓	×
Community Involvement	✓✓	✓	✓	✓✓	✓✓	✓	×
Procurement Timescale	✓✓	✓	✓	✓	✓	✓	✓
Increased Management Capacity	×	✓✓	✓✓	×	✓✓	×	×
Commerciality	×	✓✓	✓✓	✓	✓✓	✓	✓✓

Next steps & Timescales

- Process model – Stage 1 – Market & Service Review
- Due to be completed in early August
- Process model – Stage 2 – detailed options appraisal
- Due to be completed in late September / October
- Presentation of detailed findings in late September.

Any questions?