

# **CHESHIRE EAST COUNCIL**

## **REPORT TO: CABINET**

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<b>Date of Meeting:</b>	15 October 2012
<b>Report of:</b>	Strategic Director Places and Organisational Capacity
<b>Subject/Title:</b>	Review of Service Delivery Options – Leisure Services
<b>Portfolio Holder:</b>	Councillor Rod Menlove

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### **1.0 Report Summary**

- 1.1 This report describes the background to the current provision of leisure centres with the Borough and seeks Cabinet's approval for a review of the existing model of "in house" delivery. The report briefly outlines the potential options for delivery currently available and in use by other local authorities.
- 1.2 In order to arrive at a preferred future model for Cabinet approval and implementation the report explains that it is necessary to employ a suitable external consultant to quickly evaluate the most efficient and effective delivery mechanism that will also allow the Council to still achieve its corporate priorities.

### **2.0 Decision Requested**

- 2.1 Cabinet is asked to approve the procurement and appointment of a suitable leisure and financial consultant to quickly review the range of potential delivery models available and recommend a preferred option. A virement from existing budgets will cover the cost of this work which is expected to be in the region of £30,000.

### **Reasons for Recommendation**

- 3.1 There is a need to achieve best value for the services we provide and reduce net operating costs wherever possible. The review of leisure services and the early establishment of the most appropriate operating model will help to achieve this.
- 3.2 The selected consultant will look in detail at the options currently available to the Council and will set out the advantages and disadvantages of each model. The final report will include the likely cost and benefits of establishing a new model and an implementation plan for the preferred option. It is anticipated that this will then be

reported back to Cabinet in December for final consideration and approval.

- 3.3 It is essential that whichever delivery model is established, a detailed performance regime will be needed to ensure services are focused on Council priorities with any 'grant aid' (or reducing *subsidy*) explicitly linked to the achievement of these outcomes.

#### **4.0 Wards Affected**

- 4.1 All Wards are affected.

#### **5.0 Local Ward Members**

- 5.1 All Local Ward Members.

#### **6.0 Policy Implications**

- 6.1 The Council's Sustainable Community Strategy directly identifies the need for a 'wide range of accessible and excellent leisure, sporting and cultural facilities and activities for all people to enjoy'. Further to this, the provision of high-quality leisure facilities and services will contribute directly to key agendas in creating safer communities, supporting active lifestyles and improving the health and wellbeing of our communities, particularly children and young people.
- 6.2 The Council's Business Plan identifies efficiency savings linked to Leisure services, which will be delivered by the operational changes recommended in the report from the specialist consultant

#### **7.0 Financial Implications (Authorised by the Director of Finance and Business Services)**

- 7.1 The review of service delivery models will enable the implementation of the most efficient, cost effective way of delivering leisure facilities, whilst providing opportunities for the future enhancement of assets. The potential saving that can be achieved will be dependent on the model selected and this will be established as part of the options review by the consultant.
- 7.2 It is anticipated that savings can be identified from a number of sources, including financial benefits from a charitable structure (namely VAT and mandatory business rates relief), savings derived from a greater focus on operational efficiency (including a review of terms and conditions) and greater freedom around income generation. All of these measures could be delivered as part of a partnership with the private sector or a Council established company model.
- 7.3 The total cost of implementation of the preferred model will be confirmed following the work of the specialist consultant. Examples

from other authorities have indicated that this could be in the region of £250 -300k.

## **8.0 Legal Implications**

- 8.1 None directly associated with this report. This will be considered further once the preferred model is known.
- 8.2 Transferring service delivery to an alternative model would involve HR issues including TUPE transfer of existing staff from the Council to the new organisation.
- 8.3 The procurement of consultants to support this process will be discussed with the Procurement Unit and Legal Services to ensure compliance and ensure best value is achieved.

## **9.0 Risk Management**

- 9.1 Early and continued engagement with trade unions and the existing workforce even at this early stage will be key to successfully delivering the outcomes of the review and also in transitioning to a new delivery model.
- 9.2 Irrespective of the model selected the consultant will be required to look into the potential transfer of property leases. This will require input from Legal and Assets Services to ensure the Council's ownership is protected with whichever model is selected and also to provide certainty over future use of the assets for leisure and recreational purposes.
- 9.3 There will be a number of Procurement issues that will need to be considered further as part of the in-depth review including current regulations that address asset and service transfer.
- 9.4 The Council's physical asset stock for leisure is ageing and continues to require increasing spend on both planned and reactive maintenance. In addition, the recent feasibility work on the concept of '*Lifestyle Centres*' suggested significant revenue savings can be made by a programme of capital investment in new facilities and integrating services. The review of service options will need to be mindful of the Council's wider asset strategy, current service reviews and major investment plans and provide clarity around the impact of these on the business case for the range of alternative models.

## **10.0 Background and Options**

- 10.1 The Council's leisure facilities are currently delivered 'in-house' employing over 400 full-time equivalent staff. In line with the need to deliver efficiencies in future service provision, this report outlines

potential options and seeks approval for further detailed work to be undertaken to assess the range of alternative delivery models currently available.

- 10.2 The current service is an amalgamation of those inherited from the three former district councils including fifteen facilities (including 8 joint-use centres shared with high schools): of these, nine sites have swimming pools and two have athletic stadiums. Annual attendance visits for 2011/12 were over 2.7 million with almost 1 million of these being young people under 16.
- 10.3 Gross expenditure was £7.89M in 2011/12 with income of £5.85M in the same year. Council Tax payers currently subsidise the service by just over £2M per annum (or £0.75 per visit). Recent harmonisation of staff terms & conditions has increased the employee costs budget by approximately £650k – 700k (circa 15%) This may rise further as a result of the potential costs through increments in pay. Added to the recent increases in energy bills this will mean that the subsidy level is likely to continue to rise.
- 10.4 It is expected that any proposed model will aim to move this position towards break-even through a combination of cost reductions (including a review of terms and conditions), increased income and taking full advantage of any financial benefits arising from a new business model (including VAT and NNDR)
- 10.5 The establishment of a 'charitable trust' to deliver leisure operations was considered in the early life of CEBC and was deemed to be the preferred delivery model at that time. This option was not progressed due to the difficulties of reducing the Council's overhead costs. However, with the current financial challenges facing the Council and the drive to 'deliver more for less', the time is right to revisit this as well as explore the viability of the range of models now available. The consultant's review will recommend the most appropriate model which gives maximum flexibility to the Council, whilst at the same time reducing the burden to the Council Tax payer.
- 10.6 A significant amount of work has already been carried out to establish the service baseline and its current effectiveness. There are a number of different management options available to operate the Council's leisure facilities including:
  - Community Interest Company
  - Charitable Trust
  - Social Enterprise
  - Joint Venture
  - Public Sector Subsidiary Company
  - Limited Liability Partnership

These will form the basis of the review and will be further expanded on and reported back to Members to agree a preferred model.

- 10.7 Consideration will also be given to the scope of services that could constitute the makeup of the preferred business model, for example the inclusion of the Sports Development service, depending on the appetite for further change.
- 10.8 The transfer of leisure facilities to a new or existing charitable trust has been the preferred option for many Local Authorities and is likely to provide the greatest potential for savings in VAT and Business Rates. However, CEBC has a one-off opportunity to get this right and test the feasibility of a range of current options to ensure we capture the service benefits and improve customer satisfaction for the longer-term.

## **11.0 Access to Information**

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