

Appendix C1: Future Delivery Models for Leisure.



PROJECT INITIATION DOCUMENTATION

DETAILED BUSINESS CASE

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|----------------------------------------|---------------------------------------|--------------------------|-------------------------------------|
| Completed By: | Chris Allman | Project Name | Future Delivery Models for Leisure. |
| Programme Name | | Portfolio Holder: | Cllr Janet Clowes |
| | | Service: | |
| Senior Responsible Owner (SRO): | Peter Hartwell | Project Manager | Chris Allman |
| Date endorsed at Gate 1 | 15.01.13- Gate 1 14.04.13 – Gate 2 | Version Number | 0.01 |
| Major Change project number | | | |

Background

All Council's find themselves in difficult financial times aligned with high demand for services and high public expectations. Many have responded to these pressures by reducing services – closing libraries and leisure centres and stopping some services altogether. Cheshire East Council have not done this. Instead the Council has seized the opportunity to think differently about how it can deliver services which better meet the needs of the residents, businesses and customers of Cheshire East.

This business case is focused on the trust delivery model that has been previously approved at Cabinet in June 2013 and went through the Council's project management gateway process (TEG and EMB) in December and the clarification required for endorsement have been action within this report. as the preferred delivery model

This business case is being present as a purely precautionary measure in the event that charitable trust status has not been awarded by the proposed transfer date of 1st April, so that the registered company (Everybody Sport and Recreation Ltd) will have the authority to trade.

The establishment of a trust to deliver Leisure operations was considered in the early life of CEC and was deemed by elected Members to be the preferred delivery model, however at that time the project did not proceed.

In line with the need to deliver efficiencies in future service provision FMG consultants were commissioned to undertake an options appraisal to consider the future delivery models available to the Leisure service.

This further advice has indicated, in financial terms, that a transfer of leisure facilities, to a new trust, will provide the greatest potential for savings. However this is not the primary reason for the established of a trust. The council's leisure and play development services are not a statutory function but are highly valued by residents of CEC. It is clear that the service and community benefits associated with a trust model provide a clear driver for setting up a new trust that can become a strong delivery vehicle across leisure and other, related services in the future and protect this vital and well used service.

There is a need to achieve Best Value for the services that the Council directly commissions and provides, and to reduce net operating costs wherever possible. At the same time the Council is maintaining the best possible service for its residents in line with its agreed three year plan.

The plan identifies efficiency savings linked to Leisure Services:

- **Outcome 5 states:- People live well and for longer**

"local people have healthy lifestyles and access to good cultural, leisure and recreational Facilities".

- **Outcome 6 states :- Redefining the Council's role in core place-based services**

"Develop new delivery model for leisure operations."

The Council's leisure facilities are currently delivered 'in-house' employing 350 contracted staff and approximately 350 casual staff. There are 15 Leisure centre sites, 7 linked directly to CEC school sites.

Currently the Council invests £ 8.53m in Leisure services annually (excl capital charges but including support services).

Why the project is needed

The Council's three year plan places residents first. The Council is committed to promoting and supporting residents to live well and for longer through better management of their own health and daily life. It will not achieve this by choosing to reduce services or close them completely in response to financial pressures.

Instead the Council has chosen to transfer leisure facilities to a new trust. The charitable trust will deliver an improved and enhanced service to the residents of Cheshire East. The Trust will have access to financial and other resources (e.g. grants) to enhance service delivery which are not available to the Council,

The trust option also allows the benefits of NNDR and VAT relief to be fully realised creating a significant financial benefit to the operation of the Councils' current in-house leisure, play and development services.

The establishment of the trust is a proactive action taken by CEC that will result in the safeguarding of the current assets within the Leisure services and will secure the ongoing employment of those people. This is very positive news given the challenging financial situation faced by all local authorities.

Further benefits of this option are it allows the Council to focus its delivery of leisure services through an independent charitable company. This will enable the company's management and staff to have a single focus free from the distractions of the Council's day-to-day operational requirements, which should in turn lead to an improved and enhanced service. At the same time, the Trust will have access to financial and other resources to enhance service delivery which are not available to the Council.

The physical assets (which will include all land and areas of public open space that are integral to the running of the facility) that were included in the review and are in scope for the project are detailed below:

- Crewe Swimming Pool
- Nantwich Swimming Pool;
- Barony Sports Complex, Nantwich;
- Shavington Leisure Centre;
- Sir William Stanier Leisure Centre (although the building is not in scope the trust will still run the service from it);
- Victoria Community Centre, Crewe; including Cumberland Arena
- Middlewich Leisure Centre; (as with Sir William Stanier leisure Centre above)
- Holmes Chapel Leisure Centre;

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- Sandbach Leisure Centre;
 - Congleton Leisure Centre;
 - Alsager Leisure Centre;
 - Macclesfield Leisure Centre;
 - Wilmslow Leisure Centre;
 - Knutsford Leisure Centre;
 - Poynton Leisure Centre

The overarching vision for the council being:

“To Create a Charitable trust (limited by way of guarantee) to manage on behalf of the council its Leisure, play and sport development services.

The trust will have its own board of trustees and Management structure which will operate independently of the council. The purpose of the trust will be to delivery theses service to a high standard whilst significantly reducing the subsidy that is currently provided by the council.

Objectives of the Project

- A trust that is fully sustainable and provides a high class services that meets the needs of local community and the diverse population of CEC by April 2024.
- A trust that is clear and transparent and provides clear value for money whilst reducing the contribution from the residents of Cheshire East with effect from the 1st April 2017.
- The trust will manage the assets on a lease hold basis and will be responsible for the day to day maintenance, whilst the council will retain the responsibility for major structural work and retain the freehold of the assets again the trust will be effective from the 1st April 2014
- A trust that in the long term strives to be self sufficient, Providing a modern and flexible operation with the ability to take on additional services such as parks and football pitches within 12-18 months of the transfer date.
- Create a highly motivated and resilient workforce, that flex to the demands of a commercially run organization.

Key Deliverables of the project:

- The setup and registration of a company limited by way of guarantee by Oct 2013
- A shadow board that is acting on behalf of the new organisation by Oct 2014
- Registered as charitable organisation by 1st April 2014

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- A detailed service specification and contract (to include all assets and maintenance issue) and performance measures by 1st March 2014
 - Detailed TUPE consultation with all staff completed by 15th March 2014
 - Formal agreement received from the company's Board to accept the contract by 15th March 2014
 - Formal transfer of staff and assets on the 1st April 2014

Proposed Solution

Scope

An extensive option appraisal was undertaken, the purpose of which was to determine the future delivery model which will include leisure, sports and play development services; future phases could also include elements of arts, culture, green spaces and country side

The analysis covered both the financial and non-financial implications of different management vehicles and has covered a wide range of potential options, including:

- Continued in-house management;
- Outsourced management – either through a private company or an existing charitable company (Trust); and
- Establishing a new company – either charitable or non-charitable, covering the following options:
 - Unincorporated Charitable NPDO;
 - Industrial and Provident Society (IPS);
 - Company Limited by Guarantee (CLG);
 - Charitable Incorporated Organisation (CIO);
 - Limited liability partnership (LLP);

Recommendation

The consultant's review has recommended that the most appropriate model which gives maximum flexibility to the Council, whilst at the same time reducing the investment for the service from the Council Tax payer is that of a new Charitable Trust.

Current Service activities:

- The services employs in the region of 700 staff
- Service costs are attached in the financial appendix
- The current service is of high quality and very well regarded by service user. This quality derives from the experience, commitment and knowledge of the current staff team of whom exhibit a genuine motivation to provide high levels of service; all facilities have gained and maintain QUEST accreditation.
- Current service use:.

Total Attendance

| | | | |
|------------------------|------------------|--------------------|-------------------|
| Actual to Date | | 1.4.13 to 31.10.13 | 1,629,561 |
| <i>Compared with:</i> | | Variance | % Variance |
| Target to Date | 1,602,712 | +26,849 | +2% |
| Actual to Date 2012/13 | 1,586,844 | +42,717 | +3% |

Total Participation in Sport and Active Recreation

| | | | |
|------------------------|------------------|--------------------|-------------------|
| Actual to Date | | 1.4.13 to 31.10.13 | 1,329,488 |
| <i>Compared with:</i> | | Variance | % Variance |
| Target to Date | 1,306,128 | +23,360 | +2% |
| Actual to Date 2012/13 | 1,293,196 | +36,292 | +3% |

Everybody Membership Sales

| | Oct-12 | Oct-13 | % Variance | |
|----------------------|--------|--------|------------|------------------------------------------------|
| Alsager | 488 | 519 | 6% | |
| Barony | 337 | 358 | 6% | |
| Congleton | 688 | 677 | -2% | |
| Crewe | 729 | 805 | 10% | <i>Fitness Suite refurbished July 2012</i> |
| Holmes Chapel | 84 | 89 | 6% | |
| Knutsford | 505 | 741 | 47% | <i>Fitness Suite refurbished June 2011</i> |
| Macclesfield | 1085 | 1099 | 1% | <i>Fitness Suite refurbished November 2012</i> |
| Middlewich | 34 | 54 | 59% | |
| Nantwich | 673 | 859 | 28% | <i>Facility refurbished Dec-12 to Aug-13</i> |
| Poynton | 325 | 365 | 12% | |
| Sandbach | 477 | 589 | 23% | |

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|----------------------|-------------|-------------|------------|-------------------------------------------------|
| Shavington | 891 | 1153 | 29% | <i>Fitness Suite refurbished August 2012</i> |
| VCC | 51 | 60 | 18% | <i>Membership sales commenced July 2011</i> |
| Wilmslow | 631 | 811 | 29% | <i>Fitness Suite refurbished September 2012</i> |
| Monthly Total | 6998 | 8179 | 17% | |

Management of the Trust

The Trust will have its own governance arrangements and approval process for appointing people as Trustees. The only representation on the Trust Board the Council is permitted is less than 20 percent of the Trustees. A balanced trust board (including elected members and senior officers) would allow the Council to retain a degree of strategic influence, to seek to, ensure service delivery is aligned with the priorities of the Council.

A detailed outcome specification and performance management system from the Council will ensure services and standards are focused on the priorities of the Council and the needs of local residents, with any management fee linked to the delivery of agreed outcomes and required service levels.

It is imperative that the Council maintains sufficient expert internal resource to manage the contract, ensuring the client/contactor role is maintained and that:

- the Trust is meeting the required outputs within the service specification; and
- future negotiations around adding or removing services (including possible transfer to town and parish councils, schools or other local service providers) are properly facilitated

The Trust will be responsible for all operational aspects of the services and it will be up to its Board members to set fees and charges. The Trust must be financially viable and will be a commercial enterprise competing for business in what is a highly competitive market, therefore, it is unlikely that the prices will increase much above inflation year on year, in turn, this enables the Trust to potentially have a flexible pricing policy that targets increased public participation in key areas.

TUPE

Transferring the service delivery to a Trust will trigger a TUPE transfer of current Council staff who are working in or for the leisure service immediately before the transfer.

The Council will have to undertake the necessary due diligence to identify which employees have the right to transfer to the Trust and to be able to provide the necessary employee liability information in accordance with the TUPE regulations. The Council and the Trust will also have to comply with the Regulations' consultation requirement, which stipulates that consultation on any planned changes to terms and conditions of employment (measures) needs to be conducted in good time before the transfer.

SWOT Analysis

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| <p><u>Strengths</u></p> <p>Financial savings from NNDR relief and VAT;</p> <p>Greater financial and managerial autonomy, which should result in improved quality of services and pricing in line with market levels;</p> <p>Single issue focus</p> <p>Transfer to a trust will maintain the link between sports development and facilities management.</p> <p>A tried and tested model which has been around successfully for many years – many early NPDOs set up to manage facilities have now included sports development in their offer, given the obvious links between the services</p> | <p><u>Weakness</u></p> <p>May not have the influence that the In House operation has currently with partners and funders – the current operation is very well respected and linked, which would need to be protected.</p> <p>Focus of the NPDO may be on facilities rather than the sports development service, meaning that some of the wider health & wellbeing targets may become less important compared to generating activity in the facilities</p> <p>Working to a contract / specification is necessarily less flexible, making it more difficult to mould services to changing Council/ Partner priorities</p> <p>Capital finance can be more expensive than that provided by the public sector</p> |
| <p><u>Opportunities</u></p> <p>Access to external grant funding associated with charitable status;</p> <p>The trust can evolve over time to incorporate other assets and services;</p> <p>Involvement of partners in the trust Board, thus promoting partnership working and coordinated service delivery (for example in relation to health and wellbeing);</p> <p>Opportunity for community and staff involvement in the management of services;</p> <p>The trust can evolve over time to incorporate other assets and services;</p> <p>Involvement of external expertise in the trust Board, promoting sustainability and providing access to required commercial acumen;</p> | <p><u>Threats</u></p> <p>If the trust gets into financial difficulty, the Council would review the future delivery of the service. This could range from working with the Trust to secure changes to bringing the service back in house.</p> |

Benefits

The highlevel benefits of the formation of Charitable trust are outlined below: (A detailed benefits realisation is being finalised which will include how the benefits will be monitored and measured)

| Name of Benefit | Type | Comments | Date Benefit expected to be achieved |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Financial savings from NNDR relief and VAT; | Financial | The Savings associated with the savings are anticipated at £700k PA | 2014 – 2015. Onwards |
| Access to external grant funding associated with charitable status; | Financial | As part of the trusts business plan they will explore all grants and funding opportunities in order to increase the quality of the service. | To be reviewed April 2015 |
| Involvement of partners in the trust Board, thus promoting partnership working and coordinated service delivery (for example in relation to health and wellbeing); | Process improvement Service standards | The skills of the board will be utilised in order to drive forward process improvement and enhance the quality of the service further. | Ongoing monitoring of board members and if further skills are needed they will be sourced through recruitment of more Directors |
| Involvement of external expertise in the trust Board, promoting sustainability and providing access to required commercial acumen; | Process improvement Service standards | As above | As above |
| Greater financial and managerial autonomy, which should result in improved quality of services and pricing in line with market levels; | Process improvement Service standards Financial | Greater focus and scrutiny of figures will result in service improvement, a baseline measurement will be made at the point of transfer and analyzed. | Ongoing from April 2014. |
| Opportunity for community and staff involvement in | Process improvement Service standards | The number of volunteers will be measured against the | April 2015 |

| | | | |
|--------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| the management of services; | | current baseline and measured at year end | |
| Benefits of having a single issue focus; | Process improvement Service standards | A greater focus on Leisure will enable the service to operator in a commercial way without encumbrance of wider Council issues. | April 2015 based on % increase in new business |
| The trust can evolve over time to incorporate other assets and services | Service standards | There is the potential for other services to be included such as Greenspaces and Countryside | Number of new assets/services added each year. |
| Flexibility and ability to respond to a changing market | Process improvement Service standards | Ability to be smarter and quicker in delivering change and responding to new demands and pressures | Customer Satisfaction, take up of services, activity data present as part of the performance monitoring |

Risk

Please see attached risk register

Project and Investment Appraisal Cost of project and Investment Appraisal

The trust will continue to provide leisure, sports and play development services to the residents of Cheshire East. Whilst delivering improved efficiencies, enabling the exploitation of tax reliefs in place for Charities and ultimately becoming financially independent of any Council contribution.

Financial data and all assumptions behind the figures stated are included in the attached tables.

Equality Impact Assessments

A full EIA must be undertaken before the project can start. Please refer to the following link [EIA](#))

Resource requirements to deliver the project

The table must be completed and the relevant enabler service must be made aware prior to the submission (table 9 high level business case)

(This should include where the resource is being sourced from, if it is dedicated or part time and any training requirements for people working on the project)

| <i>Resource</i> | <i>Estimate of number of days required</i> | <i>Source of Resource (corporate/service/Shared Service/external)</i> | <i>Comment from Service Manager (for example: require additional expertise, can manage within existing capacity)</i> |
|-------------------------------|--------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Project Management | 250 | <i>Corporate</i> | Chris Allman – manage within capacity |
| ICT | 100 | <i>Corporate</i> | Lydia Rafferty manage within capacity |
| HR | 200 | <i>Corporate</i> | Alan Brown and Tom Barton (manage within capacity) |
| Communications | 90 | <i>Corporate</i> | Jon Winkle also corporate comms team engaged. manage within capacity |
| Planning | Nil | <i>NA</i> | NA |
| Procurement | 100 | <i>Corporate</i> | Sam Clements manage within capacity |
| Legal | 170 | <i>Corporate</i> | Jayne McLaughlin (contracts) Suzanne Antrobus(HR) External Advice has also been commissioned |
| Assets | 100 | <i>Corporate</i> | Denise Griffiths and Barry Pitt manage within capacity |
| Finance | 200 | <i>Corporate</i> | Helen McGourlay / Brendan Meenan Team manage within capacity |
| Risk Management | 20 | <i>Corporate</i> | Risk Logs and Risk appetite statement have been produced. |
| Other:- please specify | 60 | <i>External</i> | External legal advisors have been appointed to act on behalf of the trust. |

Review Monitoring & Evaluation

It is the responsibility of the project SRO to define how the business case will be monitored and evaluated and to ensure all new relevant information is reflected. The business case should be reviewed and refreshed for new information and where this has a material effect on any of the proposals for the project it will require resubmission through the Council's approval process.

This document will be independently reviewed to ensure compliance with the legal requirements of establishing a trading company. Throughout the period up to go live on the 1.4.14 it will be refreshed and revised as required subject to any change or new information which will effect the viability of the Trust. It will be regularly reviewed by the Project Manager and SRO will agree any required revisions.

A detailed service specification will be drawn up that clearly defines the Council's outputs and outcomes that will be required to be delivered by the new trust, this will also include penalties for non-performance.

Exit Strategy

Exit Strategy: Outline planned exit strategy for the project. Any material changes that will result in failure to deliver reduction in costs or improvements in outcomes or sustainability.

The project would only be stopped if there was a change in government legislation or if the Business plan for the trust does not achieve a workable budget.

In both circumstances the council would need to reinstate the forecast saving of £1.4m in order to compensate for the financial savings that wouldn't be incurred, or consider the future of the service and look at different vehicle to deliver the service.