

REPORT TO CABINET

REPORT OF: HEAD OF LEISURE AND CULTURAL SERVICES

REPORT NO. LAC 146

DATE: 5th September 2005

TITLE:	ESTABLISHMENT OF A LEISURE TRUST
FORWARD PLAN ITEM:	YES
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	MAY 2005
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	KEY DECISION

COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	CLLR RAY AUGER HEALTHY ENVIRONMENT PORTFOLIO
CORPORATE PRIORITY:	ANTI SOCIAL BEHAVIOUR TOWN CENTRES
CRIME AND DISORDER IMPLICATIONS:	MINOR
FREEDOM OF INFORMATION ACT IMPLICATIONS:	This report is publicly available via the Local Democracy link on the Council's website: www.southkesteven.gov.uk
BACKGROUND PAPERS:	CONSULTANTS REPORT ON LEISURE TRUST OPTIONS

INTRODUCTION

1. This report considers the recommendations contained in a consultants' report on the viability of establishing a leisure trust to manage some or all of the services currently provide by the Council's leisure and cultural services section. It also provides a course of action that will be required if the Council wants to accept the consultants' advice and proceed with the development of a new trust.

RECOMMENDATIONS

2. That the Council accepts the advice contained in the consultants' report and agrees to proceed with the development of a single leisure trust for the delivery of cultural services.
3. That the Council embarks on a consultation exercise as identified in paragraph 12 of this report to investigate some of the additional considerations identified by the consultants' and to provide appropriate community information.
4. That £150,000 be included in the estimates and spread across the financial years 2006/7 and 2007/8 for the purpose of establishing a not for profit trust.
5. That a timetable and definitive list of services to be transferred to the trust be compiled by 31 November 2005.

DETAILS OF REPORT

6. The Council commissioned PMP, the consultants, earlier this year to assess the viability of transferring the management of the Council's cultural services into a leisure trust.
7. The consultants have looked at the various models of not for profit organisations, the services provided by the Council and their operational costs. Specific attention has been paid to business rates and VAT. Future capital costs have also been considered.
8. Consultation has been undertaken with officers of the Council, some town and parish councils, facility users and neighbouring local authorities. The advantages and disadvantages of the trust options have been fully explored together with the roles and responsibilities of board trustees.
9. Consideration has been given to legal and property issues, including the leasehold transfer of assets to a trust. Staffing implications have also been highlighted.
10. The consultants' recommendations and proposals for moving forward are provided in full in the next section of this report.

CONSULTANT'S PROPOSALS

11. Our review began with an analysis of the context of the current Leisure and Cultural Services. The key conclusions of this review were as follows;

- The Council currently delivers a wide range of services via a combination of in-house management and private management contract (with Leisure Connection);*
- Delivery of the Services is projected to cost the Council circa £2.8million in 2005/06 (including £1.3million in respect of leisure facilities and services and £800,000 in respect of arts facilities and services);*
- The Council's facilities have been generally well-maintained and there are no significant capital investment requirements, except in respect of Deepings Leisure Centre (where lack of clarity around ownership has led to a short-term approach) and Stamford Arts Centre;*
- There is a wide range of different delivery mechanisms in place in neighbouring and nearby local authorities. A number of these authorities are undertaking options analyses, including serious consideration of the trust option.*

12. We have examined the advantages and disadvantages of management by trusts and we have described the main features of different trust models.

13. Specifically in respect of South Kesteven, we have considered the financial and non-financial implications of a transfer to trust management. The key conclusions of this are as follows;

- There is potential to generate significant savings through relief from National Non-Domestic Rates. These savings are primarily in respect of the leisure facilities (circa £317,000 per annum), although some savings could be derived at the arts facilities;*
- Based on estimated income and expenditure levels, savings of circa £100,000 per annum could be generated through net VAT savings at the leisure facilities. However, transfer to trust management would have a slight financial cost at the arts facilities and other services;*
- We have considered the potential impact of central support costs, process set-up costs and possible operational improvements;*
- The Council can retain some influence over the management of the facilities, specifically through the property and funding arrangements and through representation on the trust board;*

- *There are a number of relevant legal and property issues to consider. Most pertinent of these is the impact of any early termination of Leisure Connection's management contract;*
- *We have considered staffing and other human resource implications. The application of the TUPE regulations and the Code of Practice on Workforce Matters may have an important financial impact;*
- *Our consultations have indicated a generally positive attitude amongst local sporting and non-sporting organisations towards trust management of the Services.*

14. We have also considered the questions of whether the Council should establish a single or multiple trusts and whether there should be a phased development of the trust management arrangements.

*15. In the light of our findings, our **key recommendations** are as follows;*

- *That the Council's primary aim should be to transfer the management of the existing leisure facilities and services to a single new not-for-profit trust organisation at the end of the current management contract with Leisure Connection in March 2008;*
- *That the Council should give additional consideration to the future management of the existing arts facilities and services, particularly in the light of the ongoing consideration of cultural services provision by the County Council, but, if appropriate in this context, that the Council should transfer the management of these facilities and services to the same single not-for-profit trust organisation;*
- *That the Council should give additional consideration to the future management of the play services, parks and playing fields and other facilities and services, such that alternative management arrangements (e.g. via Town and Parish Councils) are investigated fully, but, if appropriate in this context, that the Council should transfer the management of these facilities and services to the same single not-for-profit trust organisation.*

16. In making these recommendations, we draw attention to the following issues that will require additional consideration;

- *The Council should liaise closely with the relevant neighbouring and nearby local authorities to explore potential opportunities to share resources and exploit economies of scale in respect of the leisure trust organisations;*
- *The Council should consult with the County Council to explore the potential arrangements for the broader delivery of cultural services and to ensure that any changes in South Kesteven are compatible and appropriate;*

- *Pending consideration of the County Council position, the Council might explore the possibility of establishing the not-for-profit trust organisation slightly earlier than March 2008. In such a case, the new organisation could, assume management responsibility for the arts facilities and services (and Deepings Leisure Centre) in, for example, March 2007 and spend twelve months establishing itself as an organisation before assuming the wider leisure facility management in 2008;*
- *The Council should consider the likely future application of any revenue savings derived from the transfer to trust management and should, ideally, ensure that sufficient proportions of these savings are reinvested into the relevant facilities and services to safeguard the longer-term sustainability of those facilities and services;*
- *The Council should further investigate the potential impact of the Code of Practise on Workplace Matters, in particular in respect of two-tier workforce issues;*
- *The Council should establish and implement an appropriate policy for the management of Leisure Connection between now and the end of the relevant management contracts.*

THE NEXT STEPS

17. In the main body of their report PMP have identified one off costs of £150,000 that will be incurred in establishing a new leisure trust. The report also identifies several issues that will require further work before absolute clarity can emerge on the services that the trust will deliver. There are also issues on timetabling the process that cannot be determined until more consultation is undertaken.
18. Whilst the report explains how a trust will be able to make savings on business rates and VAT, it also suggests that the Council should consider how a proportion of this could be reinvested in the trust. At this stage such consideration is difficult given that the available information is indicative. The true measure of operating a leisure trust will not be known until such time as firm proposals for its structure have been determined. In the report there is reference to typical central support costs of £100,000 – £150,000. This has to be set against existing support costs of £420,000, which clearly suggests that there are opportunities for further savings. Nonetheless the initial focus should be on the establishment of a viable trust that can do more than simply deliver a saving at the outset. The most successful trusts not only deliver year on year efficiency gains but also achieve an improvement in the service.
19. If the Council wishes to proceed with the proposals contained in PMP's report there will need to be a period of consultation to establish the framework around which the new organisation can be built. Specifically this will include:-
 - Staff and trade unions
 - Sport England
 - Arts Council East Midlands

- Existing leisure contractor
- Town and Parish Councils
- Local area assemblies
- Lincolnshire County Council
- Burghley Estates
- Other neighbouring authorities

20. Following this exercise the Council should have sufficient information to determine whether there are any proposals elsewhere that might affect the development of a trust, any impediments to such development and any opportunities for sharing development costs. It will also have ensured that interested parties are aware of the proposals.

OTHER OPTIONS

21. Options for the management of leisure facilities, including the development of a partnership trust arrangement have previously been considered, assessed and dismissed.

COMMENTS OF CORPORATE MANAGER OF HR AND ORGANISATIONAL DEVELOPMENT

22. We concur with the observations of the consultants with respect to the TUPE implications of the formation of a leisure trust.

23. TUPE regulations are shortly to be reviewed and the Council will need to address the implications of those revisions nearer the time of the transfer.

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