

# REPORT TO CABINET

REPORT OF: HEAD OF LEISURE AND CULTURAL SERVICES

REPORT NO. LAC 147

DATE: 5 December 2005

<b>TITLE:</b>	ESTABLISHMENT OF A LEISURE TRUST
<b>FORWARD PLAN ITEM:</b>	YES
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	JUNE 2005
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	KEY DECISION

<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	CLLR RAY AUGER HEALTHY ENVIRONMENT PORTFOLIO
<b>CORPORATE PRIORITY:</b>	CHANGE MANGEMENT
<b>CRIME AND DISORDER IMPLICATIONS:</b>	MINOR
<b>FREEDOM OF INFORMATION ACT IMPLICATIONS:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>
<b>BACKGROUND PAPERS:</b>	<ul style="list-style-type: none"> <li>• Report LAC 146</li> <li>• CONSULTANTS REPORT ON LEISURE TRUST OPTIONS</li> </ul>

## INTRODUCTION

1. At its meeting on 5 September 2005 Cabinet considered report LAC146 on the establishment of a leisure trust for South Kesteven. This was set against the backdrop of a consultancy report on this issue following a decision to consider the trust option in an early best value review of leisure services. At that meeting Cabinet recorded the following decision.
  - (1) *The Cabinet notes the advice contained in the consultants' report and requires further work on a single versus multiple trust option for the delivery of cultural services;*
  - (2) *To embark on a consultation exercise as identified in report LAC146 to investigate some of the additional considerations identified by the consultants' and to provide appropriate community information;*
  - (3) *The Cabinet is minded to support the movement towards the development of a leisure trust, the resources for which to be included within the formal budget setting process. However, the lease/ownership issues in relation to the Deepings and Bourne leisure centres including the apportionment of any proceeds arising from the creation of the trust are to be resolved with the Lincolnshire County Council prior to the setting up of the trust(s);*
  - (4) *That a timetable and definitive list of services to be transferred to the trust be compiled by 31<sup>st</sup> November 2005.*
2. This report picks up these issues. It also identifies other matters that will require consideration before the Council can fully commit to a trust option.

## RECOMMENDATIONS

3. That Cabinet confirms that it wants to proceed with the establishment of a leisure trust structured as a company limited by guarantee, with charitable status, to deliver a range of leisure services on behalf of the District Council.
4. That the following facilities and services be identified as suitable for transfer into the new company
  - Bourne Corn Exchange
  - Bourne Leisure Centre
  - Deepings Leisure Centre
  - Grantham Meres Leisure Centre
  - Guildhall Arts Centre
  - South Kesteven Sports Stadium
  - Stamford Arts Centre
  - Stamford Leisure Centre
  - Sport Development
  - Arts Development
  - Play Development
5. That the final decision to establish the new company is only taken when robust business plans have been prepared and approved by Cabinet.
6. That consideration continues to be given to opportunities for cost saving through partnership with neighbouring authorities.

7. That the Cabinet notes that budget provision of £100K to £150K will be required to develop a leisure trust and that this funding should be identified in the normal 2006/07 and 2007/08 budget setting process.
8. That the contract with Leisure Connection for the management of the Deepings Leisure Centre be extended until March 2008 on the existing terms.

## CONSULTATION

9. Since the September meeting of Cabinet there has been an ongoing process of consultation and the provision of appropriate information to stakeholders. This has largely been based on the recommendations contained in the consultants report. Some of this work has helped to clarify issues, particularly in connection with the arrangements that will be required with the County Council in order to make a trust arrangement viable at the dual use sites. The various elements of the consultation process are detailed below. It should be noted that the deadline for the receipt of representations was the end of November. This report was written on 16 November so comments and any other relevant information received after this date will be reported orally at the meeting.

- i) Local Area Assemblies

Presentations have been made to each of the assemblies. This has largely been an informative process. On occasions the subject has generated substantial discussion and has generally served to provide up to date information on the trust process. The Stamford assembly has asked for an update at its next meeting.

- ii) Parish Councils

A letter was sent to all parish councils outlining the trust proposals and offering to send a representative to a meeting to discuss the issue further. A similar letter was sent to the Grantham Charter Trustees. All recipients of the letter were told that the deadline for consultation would be the end of November. At the time of writing the Deeping St James Parish Council and the town councils of Market Deeping and Bourne have requested and received a presentation. Some comments have been received.

- **Deeping St James** – “The council resolved to support in principal the formation of a *single* Leisure Trust”
- **Bourne Town Council** – “Bourne Town Council is not minded to support South Kesteven District Council’s vision of the future of leisure facilities.”
- **Heydour Parish Council** – “The Parish council has no objection to the creation of a leisure trust, and a single trust would be our preferred option.”

Additionally further information was sent to Morton and Hanthorpe Parish Council and one parish clerk has offered his services as a trustee.

- iii) Neighbouring local authorities

Other local authorities in close proximity to South Kesteven are considering the establishment of a leisure trust. Contact has been made in order to establish how far they have progressed and to see if opportunities can be found to share development costs.

- **South Holland District Council** – The current contract with Leisure Connection expires in 2007. The Council is currently undertaking an options appraisal on future methods of service delivery with a target date for completion of June 2006. Serious consideration is being given to the Leisure Connection IPS on the understanding that all savings can be reinvested in the facilities. South Holland is currently building a new facility at Long Sutton and negotiations with Leisure Connection for an IPS agreement are at an advanced stage. If the Council does decide to go for an independent trust it would be interested in looking at any model that we might develop and contributing towards costs if it is suitable for their purposes.
- **Newark and Sherwood District Council** – For some years the Council has been exploring the possibility of delivering major investment into its leisure services portfolio through the creation of a public private partnership project. Because of the cost implications to the authority that ambition has now been shelved. However the Council has agreed to undertake a review of the opportunities offered by a leisure trust although this issue will not be considered until 2008/09.
- **Peterborough City Council** – the Council is considering a banner trust to manage all of its cultural services within the next two years. This will embrace sports, libraries and cultural services. A decision to proceed is likely to be taken in January and the Council would be prepared to discuss cost sharing opportunities.
- **Rushcliffe Borough Council** – the Council has been considering the establishment of a trust for the management of its leisure services for a number of years. The situation in Rushcliffe is quite complicated because of the dual use arrangements that exist for many of the facilities there. This is compounded by the fact that Nottinghamshire County Council has commenced a ten-year strategic withdrawal from dual use funding and as a consequence Rushcliffe has had to concentrate on its own long-term strategy for leisure service delivery. There now appears to be agreement with the County Council that if a trust is established all savings (for the first five years) will benefit the Borough Council. Rushcliffe has therefore recommenced investigation of the trust options and is looking at the possibility of joining an established private sector trust or partnering another local authority - it already has a corporate partnering protocol with Gedling Borough Council. The situation needs to be monitored and we have offered to discuss any opportunities for cost sharing that may arise.
- **North Lincolnshire District Council** – the Council has recently undertaken an options appraisal and a decision has been made to set up a trust along similar lines to those proposed by our consultants. There is an

opportunity to share knowledge. Eversheds have been appointed to support the creation of a trust, which has been estimated at £100,000. The scale of operation is similar to our own.

- **West Lindsey District Council** – the Council is undertaking an options appraisal on management opportunities for their leisure centre in Gainsborough. The existing contract with Leisure Connection expires in January 2007. The Council is not looking to set up its own trust but would consider allowing an external trust to undertake management.

iv) Lincolnshire County Council

Discussions with Lincolnshire County Council have focused on the arrangements that would be required to put Deepings Leisure Centre, and to some extent Bourne Leisure Centre, into a trust and opportunities for collaboration in respect of cultural services.

Essentially the County Council want to support the transfer to a trust. It is perceived as a positive process that would be good for corporate governance and contribute to one of their over riding priorities – young people. In this sense the use of trusts is seen as providing an opportunity to reinvest in facilities.

There would be a need to look at the financial arrangements at Deepings Leisure Centre. Currently the County believes it is difficult to demonstrate value for money without a formal agreement in place. This appears not to be an uncommon arrangement. Other facilities that have dual use status are equally difficult to unravel. Resources would be available to ensure that the previously aborted attempts to formalise an agreement would not be repeated. The expectation was that the leisure centre could be leased to the District Council on a peppercorn basis. Because the site has to be retained for the building schools for the future programme the lease would have to be short term – probably ten years. That, however, would be acceptable for the purposes of developing a trust. It was agreed that work would start almost immediately as the issues needed to be resolved irrespective of the District Council's ultimate position on the trust. This would ultimately provide some stability for the Deepings – at least in terms of ownership and responsibility. In the meantime the existing contract with Leisure Connection still operates on an annual basis. It would make sense to extend this until the expiry date for the other Leisure Connection contracts in March 2008.

At Bourne the County Council would need to give their consent to the District Council to assign the lease of the swimming pool site. This would appear to be a formality. The District Council would have to discuss the sports hall arrangements direct with the Robert Manning School. It was also agreed that there was a need to review the arrangements for the site as a whole to establish opportunities for rationalisation.

There was discussion on the possibility of the trust being able to offer management services to some County/schools facilities. In the event that such opportunities became available it would be in the interests of the trust to

be able to accommodate such expansion and would be an important means of driving future efficiency gains.

In the report by the District's consultants reference had been made to the possibility of providing arts services in a wider cultural trust that may be established by the County Council. Whilst the County acknowledged that this had been under discussion at one stage it was a concept that now had little momentum. It was envisaged that in the long term there would be benefit in creating a trust to operate library and heritage services. However this was not a current issue and had not yet been developed with members. The opportunity to look at collaboration on a trust for cultural services generally was not now relevant although it may be something that would need revisiting in years to come.

v) Trade Unions

A presentation was made to the JNC on 28 September. There has been no feedback to date.

vi) Healthy Environment Development and Scrutiny Panel

The Panel received a presentation at its meeting on 6 September. Members' attention was drawn to the consultants report and all members were offered an opportunity to be sent a copy if they so wished. The Panel asked for an update during the consultation period and this was provided at its meeting on 8 November.

vii) Burghley Estates

A meeting with the Agent for Burghley Estates took place on 27 October. The District Council would need the consent of the Estate to assign the lease of Stamford Arts Centre to a trust. The issue would be considered by a meeting of the trustees towards the end of November. Whilst there was general enthusiasm about the proposals it was felt that the trustees could take the opportunity to request a review of the terms of the lease. Hopefully some feedback will be available by the time Cabinet meets.

viii) Deepings School

A meeting with the Headmaster took place on 4 October. He was very keen to see a plan in place for the medium term development of the leisure centre so is effectively looking for stability. There was real enthusiasm for a trust, which it was hoped, could partner with the school and which would be an appropriate vehicle to deliver on common objectives.

ix) Leisure Connection

A meeting took place with the Regional Director on 19 October. Not unnaturally he expressed disappointment. He said that the company Chief Executive would be writing to the District Council requesting reconsideration of their IPS proposals, which have been substantially amended. Since that meeting took place those proposals have now been received and a further meeting arranged with the company on 21 November. Details of the outcome will be reported at the meeting. The District Council also offered to brief senior staff at the leisure centres on the proposals and the current position. This offer was accepted providing that it was not seen as an opportunity to "sell" the idea

of a trust to the Leisure Connection staff. That meeting subsequently took place on 16 November. The staff had three key issues that they requested be reported to cabinet.

- Concerns about the ability of a trust to deliver services within budget – the experiences of the hospital trusts were cited.
- The hope that the Council would give serious consideration to the revised IPS proposals
- The potential presence of additional competition that would make the leisure market more competitive in the foreseeable future.

x) Internal Seminars

On 14 and 15 November the Council organised seminars for members, appropriate senior managers and all staff in the leisure and cultural services section. These events utilised the services of the Chief Executive of Cultural Community Partnerships, the leisure trust operating leisure services for East Northamptonshire Council. They were essentially informative occasions designed to increase awareness of the advantages and disadvantages of trusts and also to emphasise that whilst the concept was relatively straightforward the process would be complicated and challenging. Feedback seems to suggest that the events were well received and have contributed to a better understanding of the issues involved in the creation of a trust.

## SINGLE VERSUS MULTIPLE TRUSTS

10. The cabinet has requested more work on the options offered by using multiple trusts as opposed to a single entity.
11. Single trusts are now becoming more popular as they tend to provide a critical mass that allows for economies of scale and therefore lower costs and increased protection against failure. The Council's consultants recommended a single trust for arts and sports services unless there was an opportunity for collaboration with Lincolnshire County Council on a cultural trust. That now seems unlikely and the single trust route would seem to be the most appropriate option. During the consultation period the question of single and multiple trusts was repeatedly raised. It drew little comment although two of the consultees did express a preference for the single trust arrangement. The advantages and disadvantages of single and multiple trusts are summarised in the table on the following page.

<b>SINGLE TRUST</b>	<b>MULTIPLE TRUSTS</b>
<b>Advantages</b>	
<ul style="list-style-type: none"> <li>• Minimises set up costs</li> <li>• Minimises ongoing support service costs</li> <li>• Reaches critical mass to warrant employment of specialist staff</li> <li>• Requires recruitment of a single set of board members</li> <li>• Minimises local authority monitoring requirements</li> <li>• Good fit with current management arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• May facilitate greater focus on individual services</li> <li>• May find it easier to recruit board members</li> </ul>
<b>Disadvantages</b>	
<ul style="list-style-type: none"> <li>• May be difficult to recruit board members with broad cultural knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Duplication reflected in set up costs</li> <li>• Duplication in ongoing support</li> <li>• Too small to recruit specialist staff</li> <li>• Increased monitoring costs</li> <li>• Greater risk of failure</li> </ul>

## SERVICES FOR INCLUSION

12. The brief to the Council's consultants was deliberately wide to allow consideration to be given to the full range of services provided by the leisure and cultural services section. The consultants identified that sports facilities would be key to the financial well being of a trust and that the arts facilities could also make a substantial contribution. Alongside these services the arts, sports and play development functions also lend themselves to inclusion in a trust because of the way in which they are already linked to the core service. Additionally they are often the most useful means of delivering on a social agenda and within a trust will be well placed to attract external funding. However beyond that it is difficult to see the benefit of including other services such as parks and playing fields. To do so would provide no financial advantage to either the trust or the Council. If excluded from the trust the Council could then consider if it wanted to retain these facilities or negotiate their transfer to parish authorities or users. The consultants also considered other minor elements of the service and none was identified as being suitable for inclusion in a trust.

## THE WAY FORWARD

13. If the Cabinet decides to proceed with the establishment of a trust to deliver some or all of its cultural services it is important to identify the next steps in the process. Initially there will have to be a budget commitment to provide the resources for the establishment of the trust. Our consultants estimate this to be between £100K

and £150K. Such costs would be allocated to external support, particularly on legal and financial issues. The project development work can then begin with the establishment of a project board that would work towards the delivery of a formal business plan for the new organisation. The actual decision to transfer to a trust cannot be taken until the Council is satisfied that the business plan is sufficiently robust to allow the new organisation to function and to deliver the Council's overall objectives that were identified in the initial brief to the consultants.

## TIMETABLE

14. Development of a detailed timetable can commence when the planning process is engaged in earnest. The table below shows the key dates from the Council's point of view and, at this stage, is just indicative. Most of the important work is undertaken following the establishment of the project board. By the time the first business plan is prepared all critical work should be completed. This may include proposals for the establishment of a separate trading company to manage the trust's commercial services. Approval of the business plan then becomes the trigger for the formal decision to establish the trust. Recruitment of trustees follows and enough time is allowed for their training and consideration of the business plan. When the trustees are comfortable with the business plan they can agree the first year's funding arrangements with Cabinet. This process is harmonised with the Council's own budget setting process. The new company begins trading at the termination of the Leisure Connection contract on 1 April 2008.

TASK	WHEN
Prepare detailed schedule of all tasks including key gateway dates and criteria for access	By 1 April 2006
Establish high-level project board and work streams; e.g. HR, Finance, Legal and Property.	To commence work from 1 April. Most of this work will be ongoing until the new company is formed, and may continue beyond that.
Submit business plan to Cabinet for approval	1 April 2007
Commence recruitment of Trustees	Following approval of business plan
Establish shadow board – critical tasks training and review of business plan	Oct/Nov 2007
Shadow board and Cabinet agree first years funding arrangement (as per business plan) in harmony with the District Council's budget setting process.	Dec 2007
New Company begins trading	1 April 2008

## OTHER OPTIONS CONSIDERED AND ASSESSED

15. The Council has previously considered the delivery of leisure services through an industrial and provident society. This option was discounted following the receipt of legal advice.

## COMMENTS OF DIRECTOR OF FINANCE AND STRATEGIC RESOURCES

## COMMENTS OF CORPORATE MANGER, DEMOCRATIC AND LEGAL SERVICES

16. The need for external consultancy advice is most significant in order to protect the Council's interests and to ensure all aspects of legal and governance compliance are achieved throughout the process. This will require proper financial resourcing via the budget process at the earliest opportunity.

## COMMENTS OF CORPORATE MANAGER OF HR AND ORGANISATIONAL DEVELOPMENT

17. There are potentially complex TUPE (Transfer of Undertaking Protection of Employment) issues that will need to be addressed. It will need to be borne in mind that staff would transfer from both the Council and Leisure Connection. Though harmonisation will be an issue for the new trust the costs associated with that will need to be established and taken into account prior to transfer. Additionally there is the prospect that redundancies may also arise.

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