

EXECUTIVE SUMMARY

Introduction

- 0.1 Tonbridge and Malling Borough Council (TMBC) has a long tradition of providing high quality leisure facilities to its residents and visitors in the Borough. Service delivery is guided by the Council's Leisure and Arts Strategy 2008-2013 which links to a number of the Council's key corporate objectives, including young people, healthy living and reduction in crime and disorder.
- 0.2 Due to the increasing financial pressures facing the public sector and the need for TMBC to make significant revenue savings over the next few years, TMBC is seeking to undertake a review of the management options in respect of its leisure facilities.
- 0.3 Currently TMBC operate its indoor leisure facilities directly through the Leisure Services Business Unit (LSBU), which is part of the Council. At Poulton Wood Golf Centre the facility is managed through a mix of direct provision and external contractors.
- 0.4 TMBC appointed RPT Consulting in April 2012 to undertake the management options review. The review will have the following objectives
- Review the potential management options for the leisure facilities
 - Identify potential operational and capital enhancements
 - Assess the financial, legal, people and risk issues involved with each of the potential management options
 - Recommend a preferred option
- 0.5 This report presents the options review for the service and recommends a preferred management option which will deliver the outcomes that TMBC are seeking.
- 0.6 The management options which will be reviewed are summarised in the table below

Table 0.1 – Management Options

Management Option	Description
In House	Direct Operation by the Council
New Not for Profit Distributing Organisation (NPDO)	A NPDO is established from the current direct provision (LSBU) specifically to operate TMBC facilities
Existing NPDO	A NPDO already established to operate another Council's facilities
Hybrid NPDO	A NPDO established by a leisure management Contractor to operate facilities
Private Sector	Leisure Management contractor without NPDO structure


- 0.7 The options review focuses on the Leisure Centres in TMBC, namely Larkfield Leisure Centre (LLC), Angel Centre (AC), Tonbridge Swimming Pool (TSP) and Poulton Wood Golf Centre (PWGC).


0.8 Within Kent and neighbouring authorities there are examples of all of the management options in place. The existing management arrangements in Kent are summarised in the table below.

Table 0.2 – Management Options in Kent

Local Authority	Type of Leisure Facility Provision	Operator
Sevenoaks DC	Newly established NPDO	Sencio Leisure
Tunbridge Wells BC	Existing NPDO	Fusion Lifestyle
Canterbury City Council	Newly established NPDO	Active Leisure
Maidstone BC	Hybrid NPDO	Maidstone Leisure Trust/Serco
Gravesham BC	Newly established NPDO	Gravesham Community Leisure Limited
Medway Council	In House	Medway BC
Swale BC	Hybrid NPDO	Swale Community Leisure Trust/Serco
Ashford BC	Newly Established NPDO	Ashford Leisure Trust
Shepway District Council	Direct Provision/Newly Established NPDO	Hythe Swimming Pool(SDC)/Folkestone Sports Centre Leisure Trust
Dartford Borough Council	Private Sector	Parkwood Leisure
Dover District Council	Newly Established NPDO	Vista Leisure
Thanet District Council	Newly Established NPDO	Thanet Leisure Force

0.9 There are also a number of examples elsewhere within the country and particularly in Surrey and Sussex in close proximity to TMBC, which deliver leisure services, for example Freedom Leisure (established by Wealden District Council as a new NPDO) now operate a number of facilities in Mid Sussex, Crawley and Guildford, illustrating how a new NPDO can expand and take on new business. Alternatively NPDOs are established and continue to operate successfully within one council, for example Sportsspace. We illustrate these two examples overleaf.

<p>Freedom Leisure</p> <p>Freedom Leisure (FL) was established in 2002 by Wealden District Council to operate the Leisure Centres. Since 2002 FL has grown from a turnover of £8.6 million to £30.5 million and now operates 35 sites across the South East.</p> <p>This has been achieved through winning a number of contracts with other Local Authorities and this has included investment of over £13 million.</p>	
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<p>Sportspace</p> <p>Sportspace is the trading name of Dacorum Sports Trust which was established in 2004 by Dacorum Borough Council to operate the Leisure Centres. The trust has remained successful operating facilities in Dacorum.</p> <p>It has also expanded its portfolio of facilities through the addition of an athletics track, and golf course in 2007/08, as well as the development of the XC Centre (see later) which achieved £5 million of external funding.</p>	
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Delivery of Outcomes

0.10 One of the key aims of the options review is to identify and quantify the outcomes TMBC wants to achieve from the service and then assess each delivery option against these outcomes. We have identified a number of themes and outcomes for the future delivery of the service as summarised in Table 0.3 overleaf

Table 0.3 – Key Outcomes

Outcome	Rationale
Support the delivery of the corporate priorities of the Council	The leisure facilities should be seeking to deliver services and programmes of activities which contribute to key priorities, such as healthy living, young people and crime and disorder reduction.
Maintain and improve the quality of service and the provision	TMBC have committed to delivering high quality services (as evidenced by excellent ratings for Quest). This should at the least be maintained but ideally improved
Continue to invest and maintain the assets	There has been a programme of investment and maintenance in the facilities over the years and this should be maintained to protect the fabric of the buildings and ensure the delivery of high quality services
Deliver financial savings	There is a need for TMBC to deliver financial savings as part of its Medium Term Financial Strategy. Ideally any management option will be able to deliver this
Ensure long term sustainability	It is important that any future management option and indeed the operation of the leisure facilities should deliver long term sustainability (both in terms of financial sustainability and environmental sustainability)

Future Management Options - Financial Implications

- 0.11 We have undertaken an analysis of the existing performance of the LSBU and compared its performance against industry benchmarks. Overall the centres perform well against financial benchmarks and aligned with this the quality of service performs well, as evidenced by the high Quest (UK quality scheme for sport and leisure) scores which the centres achieve. The majority of centres achieve the excellent category.
- 0.12 These factors suggest that if a partnership was entered into with another operator (either private sector, existing trust or hybrid trust) then it is unlikely that they would be able to significantly improve the financial performance of the LSBU, unless changes to the pricing, programming or major capital investment was undertaken.
- 0.13 This position is reinforced by the fact that on two previous occasions (during CCT in 1991 and as part of the Best Value Review in 2005/06) private sector operators have been invited to submit ideas and plans as to how they could improve the financial performance. On both occasions the LSBU has been able to deliver a better financial performance.
- 0.14 We have therefore taken this position into account as part of the analysis of the future performance when assessing the various financial implications for the management options.
- 0.15 We have modelled the financial effects of each of the management options shown in Table 0.4.

Table 0.4 – Financial Savings

Management Option	Annual Financial Savings/(Costs) (£'000's)				
	LLC	AC	TSP	PWGC	Total
In House	0	0	0	0	0
Newly Established NPDO	270	59	99	109	499
Existing / Hybrid NPDO	243	83	91	141	521
Private Sector	(26)	24	(8)	33	(16)

0.16 Thus there is the potential for both a new NPDO and an existing/hybrid NPDO model to save TMBC circa £0.5 million per annum in revenue costs.

Delivery of Outcomes

0.17 A key focus of the service that TMBC is seeking to deliver is to identify the outcomes which the service should deliver and the success of the service be measured against.

0.18 The review has identified a number of key outcomes for the future delivery of the service, as set out earlier in Table 0.3.

0.19 We present in Table 0.5 below a summary of how well each of the management options would deliver against the identified outcomes.

Table 0.5 – Option Evaluation

Outcome	In House	New NPDO	Existing/ Hybrid NPDO	Private Sector
Deliver Corporate Priorities				
Quality of Service				
Asset Maintenance				
Financial Savings	X			X
Long Term Sustainability				

Key:

- X – no delivery of the outcome or even opposite impact on the outcome
- some delivery of positive outcomes
- very good delivery of positive outcomes

0.20 We summarise the rationale for the analysis over the following paragraphs.

- **Delivery of corporate objectives** – both the in house and the new NPDO are organisations which are solely focused on TMBC and as such their rationale and approach will be structured to deliver against the corporate objectives for TMBC. The other options will have other priorities and contracts which may mean they are not as focused on TMBC, but will still be operating to a contract which would mean they need to deliver against corporate objectives of TMBC.

- **Quality of Service** – All of the management options are reliant on customers delivering revenue and as such will place significant focus on quality of service. As long as any partnership arrangements are in place to ensure the delivery of quality then all the options should give a positive outcome.
- **Asset Maintenance** – Similarly all the management options will have a vested interest in ensuring that the facilities are well maintained to attract customers, however the existing/hybrid NPDO and the Private Sector may have other competing priorities within their portfolio which means this area could suffer
- **Financial Savings** – the new NPDO and existing NPDO deliver a very positive outcome, both saving circa £0.5 million per annum. The other two options do not present any financial savings other than through possible operational or capital enhancements and as such do not deliver against this outcome
- **Long Term Sustainability** – The new NPDO presents a very positive delivery against this outcome as its sole focus is the delivery of leisure facilities for TMBC and as such has a vested interest in ensuring the long term sustainability. All the other options have potential other priorities which may impact on the long term sustainability. For example the in house may suffer if other statutory priorities mean lack of resources for leisure and an existing NPDO may divert resources and surpluses to other facilities or areas of their business.

0.21 As a result of this evaluation and analysis it is our opinion that the best option to deliver the Council's outcomes is the establishment of a new NPDO. This will deliver a number of benefits over and above the other management options, including]

- Greater financial savings than in house and private sector and comparable with existing/hybrid NPDO
- A single focus on TMBC ensuring there is no 'leakage' of resources out of the Borough
- Reinvestment of surpluses into TMBC facilities
- Council representation on the Board to retain involvement
- The rest of the Board would be local people initially recruited and appointed by TMBC

0.22 These factors, together with our evaluation, means we **recommend that TMBC establish a new NPDO** to deliver the facilities within the LSBU. This should include the Clubhouse and Golf Professional operations at PWGC as well as the grounds maintenance at the Golf Centre already being undertaken by the LSBU.

Way Forward

0.23 We have in Appendix F presented a summary project plan for the establishment of a new NPDO, which would form the next stage of the project. If an alternative option is selected by the Council an amended project plan can be developed.

0.24 We recommend the establishment of a project team and board to oversee the process and undertake the key tasks involved.

0.25 There are a number of issues which will need to be resolved and developed as part of the development of the documentation and prior to any transfer, including

- TUPE and Pensions – a list of the transferring staff will need to be identified and also whether there is a pension's deficit.
- Admitted body status to the Local Government Pension Scheme – if the new NPDO is established then this will need to progress quickly
- Central Support Costs – further analysis will need to be undertaken to identify the actual costs and in particular the staff that would be subject to TUPE
- Staff/Union consultation – will need to be undertaken throughout the process
- Inventories of all the equipment and key assets (including member lists, ICT, databases, etc) will need to be developed
- Condition surveys of all the facilities will need to be updated and developed
- For the creation of a new NPDO, a detailed business plan and development of the full business case for any proposed capital developments will need to be prepared
- Recruitment of trustees will also be required for the creation of a new NPDO

0.26 A project plan based on a 12 month timescale from when the Council makes the decision.

0.27 The project plan is structured to allow flexibility throughout the process including dialogue with any potential partners (if appropriate) to ensure that TMBC achieve a solution that not only delivers the financial savings but also will deliver the outcomes.