



LEISURE FACILITIES OPTIONS REVIEW

A REPORT BY

RPT CONSULTING LIMITED

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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.

Freedom Leisure

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.

This has been achieved through winning a number of contracts with other Local Authorities and this has included investment of over £13 million.



Sportspace

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.

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.



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 We have developed 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.

SECTION 1 – INTRODUCTION

Introduction and Background

- 1.1 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.
- 1.2 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 the leisure facilities.
- 1.3 Currently TMBC operate its leisure facilities directly through the Leisure Services Business Unit (LSBU), which is part of the Council. At Poult Wood Golf Centre the facility is managed through a mix of direct provision and external contractors.
- 1.4 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
- 1.5 This report presents the options review for the service and recommends a preferred management option which will deliver the outcomes that TMBC are seeking.
- 1.6 The management options which will be reviewed are summarised in the table below

Management Option	Description
In House	Direct Operation by the Council
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Hybrid NPDO	A NPDO established by a leisure management Contractor to operate facilities
Private Sector	Leisure Management contractor without NPDO structure

- 1.7 These options are discussed further in Section 5, when we also review examples of provision.

Scope

- 1.8 The focus of the leisure options review is on TMBC's leisure centres and swimming pools, to include
 - Larkfield Leisure Centre (LLC)

SECTION 1 – INTRODUCTION

- Angel Centre (AC)
- Tonbridge Swimming Pool (TSP)
- Poulton Wood Golf Centre (PWGC)

1.9 Currently the facilities are managed predominantly through the Leisure Services Business Unit which manages LLC, AC, TSP and the grounds maintenance at PWGC. The rest of the management of PWGC is managed through a series of outsourced contracts including the golf shop, golf professional services and the catering contract.

1.10 The review will consider all of the facilities identified above and will consider whether all or some of the facilities should be operated through another management option.

Approach

1.11 The options review has been developed in partnership with TMBC and has involved,

- Consultation with key officers in the Council, including finance, property, legal, personnel and leisure services
- Site visits and meetings with Operational Staff to review the current service and identify potential operational efficiencies
- Document review
- Financial and Implications analysis

1.12 The leisure options work has not involved any primary research or detailed consultation with customers or non users, but has drawn upon other studies undertaken.

1.13 Our focus has been to ensure that whichever route is chosen for the future of the service, the service outcomes remain at the forefront of the delivery option, together with identifying appropriately “commercial approaches” which can generate financial savings, to deliver social objectives.

1.14 The remainder of the report is structured as follows

- Section 2 – Service Outcomes – identifying the outcomes which the service should be delivering in any future delivery option
- Section 3 –Existing Performance– a summary of the existing position within the service
- Section 4 – Future Opportunities – identification of future revenue improvements and capital investment opportunities, to deliver operational efficiencies
- Section 5 – Management Options – a review of the potential delivery options, including the financial implications for each option
- Section 6 – Conclusions and Way Forward – including a detailed action plan

1.15 The report has been prepared as a summary report supported by more detailed information within a series of Appendices.

Strategic Context

- 2.1 A key part of the brief from TMBC was that whilst the Council faces increasing financial pressures, there is still a strong commitment to the delivery of high quality leisure services by the Council. The service and quality of the future leisure services is therefore an essential part of the assessment for each of the delivery options.
- 2.2 As a result of this we set out in this section a number of outcomes which form the basis of assessing how well each management option will deliver against these outcomes.
- 2.3 In considering the outcomes TMBC require from the delivery of its leisure service, it is important that the strategic context is set out to enable us to understand the framework within which the service is operating.
- 2.4 There are a significant number of strategies and plans which impact on TMBC from national plans (such as Sport England Strategy 2008 - 2013, Start Active – Stay Active July 2011, a report by the four home countries medical officers) to local documents (such as the Core Strategy, Community Strategy and Leisure & Arts Strategy), which are listed in Appendix A.
- 2.5 The Leisure and Arts Strategy (2008-2013) has identified a vision for Leisure and the Arts which states that TMBC should be

“A borough where residents and visitors are able to enjoy and have good access to high quality leisure and arts facilities and services in safety, and a place where the natural, built and social environment is sustained for future generations”
- 2.6 This is translated into ten themes which include
 - Healthy Living
 - Young People
 - Fair Access for All
 - Caring for the Environment
 - Tackling Climate Change
 - Working in Partnership
 - Public Access and Involvement
 - Quality and Excellence
 - Crime and Disorder Reduction
 - Risk Management
- 2.7 A number of these themes relate directly to the key corporate priorities of the Council, including Healthy Living, Young People and Crime and Disorder Reduction.
- 2.8 The leisure options review should seek to ensure that whichever management option is chosen, the outcomes should deliver across these themes.
- 2.9 In addition, the Sport England Strategy 2008 - 2013 has identified a number of principles and targets (to be achieved by 2013) covering both sports development and physical activity. The key outcomes and targets from the Strategy are:

SECTION 2 – SERVICE OUTCOMES

- Outcomes
 - Grow – 1 million people taking part in more sport
 - Sustain – improving quality of sport and reducing the number of young people who drop out
 - Excel – nurturing talented sports people
- Targets
 - 1 million people taking part in more sport
 - More children and young people taking part in sport for five hours every week
 - More people satisfied with their sporting experience
 - 25% fewer 16-18 year olds dropping out of five sports
 - Improved talent development in 25 sports

2.10 Sport England has recently announced an update to the strategic plans and in particular a new five year Youth and Community Strategy, which seeks to deliver on the promises in the 2012 legacy plans. Of particular relevance to TMBC are the following initiatives.

- Every one of the 4,000 secondary schools in England, will be offered a community sport club on its site with a direct link to one or more sporting National Governing Body (NGB), depending on the local clubs in its area
- County Sports Partnerships will be given new resources to create effective links locally between schools and sport in the community
- All secondary schools who wish to do so will be supported to open up, or keep open, their sports facilities for local community use and at least a third of these will receive additional funding to make this happen
- 150 College Sports Makers working across most of the 347 general FE colleges
- A thousand of our most disadvantaged local communities will get a Door Step Club
- There will be a new £40 million local sport fund to help local authorities improve sport provision
- Building on the early success of Places People Play, a further £100m will be invested in new facilities for the most popular sports, for example new artificial pitches and upgrading local swimming pools

2.11 The proposals outlined by Sport England would suggest that there is the potential to gain funding for schools in particular and other facilities and these should be considered in future opportunities and facility developments.

2.12 These outcomes and targets are also reflective of other national strategies such as Start Active, Stay Active (a report by the four home country Chief Medical Officers), promoting 5 times 30 minutes of activity per week.

SECTION 2 – SERVICE OUTCOMES

Key Outcomes

- 2.13 Appendix A presents an overview of the various plans highlighted above and identifies a number of strategic themes which establish the framework within which leisure facilities operate.
- 2.14 The Leisure and Arts Strategy sets out the ten themes which any future management option should deliver against.
- 2.15 In addition, TMBC has stated its commitment to delivering high quality leisure facilities for its residents and visitors but also recognises the need for financial savings to assist the Council in its drive to find sustainable financial savings.
- 2.16 In reviewing these themes and the commitment to provide leisure facilities there appear to be a number of outcomes which would naturally seem to provide the framework against which the various management options should be evaluated. These are summarised in Table 2.1 overleaf.

Table 2.1 – 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)

- 2.17 These outcomes will form the framework and the basis upon which the management options will be evaluated to identify which option is most likely to achieve these outcomes.
- 2.18 It is anticipated these outcomes and targets will be further developed to form the basis of the specification or service plan for the future delivery, whichever management option is chosen.

SECTION 2 – SERVICE OUTCOMES

- 2.19 It is anticipated monitoring the service should be structured to demonstrate how it has delivered against these outcomes. For example, as well as developing user numbers, performance indicators and satisfaction surveys, there would also be a requirement to ensure surveys are undertaken to assess peoples perception of their health and the development of volunteers. By structuring the specification on an outcomes framework from the start, success in the form of improved targets and indicators can be more objectively demonstrated.
- 2.20 In developing the targets against which any future delivery option would deliver these outcomes there will be some targets which can be set based on the current performance (which we explore in the next section) but also a number of targets which will need to be set following the measurement and establishment of an agreed baseline position. For example, whilst it will be relatively easy to establish the targets for improvements to participation numbers, for other measurements such as users' perception of their health a baseline would need to be established in the first 2-3 years of future delivery.

Introduction

3.1 Within this section we establish the current performance of the existing service and in particular identify against the various outcomes how well the service is delivering. To do this we will review the following areas

- Population Demographics and key features of the market
- User numbers and overall participation
- Financial performance, including capital investment

3.2 By reviewing these areas, we have been able to identify potential issues within the population and market trends impacting both cost effective delivery (is there the market to develop) and delivery of other outcomes (such as improving the health)

Market Analysis

3.3 Sport England have developed the local sport profile tool which provides some key demographic data for local authorities in England and we summarise the key outputs for TMBC below. TMBC has a population of circa 118,800 (2010), which is a slight reduction on 2008. However the population is projected to grow by 5.8% up to 2016

3.4 Compared to the South East and England, TMBC has a higher proportion of 35-49 year old and a lower proportion of 20 – 34 year olds. It has a lower proportion of unemployed than England as a whole but slightly higher than the South East.

3.5 The local health profile within Tonbridge and Malling identifies a number of key population trends, including

- Adult obesity is higher in Tonbridge and Malling than both South East and England, however childhood obesity is lower
- Life expectancy is higher than in South East and England
- TMBC ranks 293 out of 353 in terms of deprivation, suggesting that areas of deprivation are low

3.6 Participation rates for 3 times 30 minutes in 2009/11 are slightly higher than both the South East and England, which is an improvement on 2005/06 when they were slightly lower.

3.7 In looking at other key performance indicators it can be seen that there are

- Less people volunteering than in the South East and England
- Higher club membership than in the South East and England
- Comparable percentage of the population receive coaching and take part in competitions

3.8 The indicators also suggest that a higher percentage of the population (74.5%) are satisfied with local provision than in the South East (71%) and England (69%).

3.9 Overall the market analysis presents a picture of relatively high levels of participation within a relatively affluent area and low levels of deprivation. In addition residents are generally satisfied with the local provision.

SECTION 3 – EXISTING PERFORMANCE

Participation Levels

3.10 Use of the Leisure Centres amount to some 770,000 visits per annum across the facilities. This is broken down across the Centres as follows, with further detail in Appendix B.

Table 3.1 – User Numbers

Facility	2009/10	2010/11	2011/12
Larkfield Leisure Centre	389,598	361,079	357,812
Angel Centre	104,062	95,537	98,352
Tonbridge Swimming Pool	257,286	243,964	245,134
Poult Wood Golf Centre	65,158	58,435	66,804
Total Visits	816,104	729,015	768,102

3.11 The number of users has dropped in 2010/11 compared to 2009/10 by circa 87,089 visits (10.7%), which whilst not significant would give concern if part of a longer term trend. The user numbers do however recover in 2011/12 and are 5.3% higher than 2010/11. Whilst the economic climate has been difficult over these years, nationally local authority facilities have managed to maintain their usage particularly with people transferring from private sector facilities to a cheaper alternative.

Existing Financial Position

3.12 The current cost to operate the Leisure Centres is £1.577 million per annum (2012/13 budget), which excludes depreciation costs and client salary costs, as detailed in Table 3.2 below, with further detail presented in Appendix B.

3.13 We summarise the income and expenditure of the service in Table 3.2 below, based on 2012/13 budget.

Table 3.2 – Leisure Centres

Facility (£'000's)	2012/13 Budget		
	Income	Expenditure	Net Cost/ (Surplus)
Larkfield Leisure Centre	2,087	2,767	680
Angel Centre	687	1,173	486
Tonbridge Swimming Pool	866	1,375	529
Poult Wood Golf Centre	686	567	(119)
Total	4,326	5,903	1,577

Notes:

1. These figures include the Leisure Client budget and also the costs of operating PWGC in addition to the LSBU budget
2. Excluded from the figures above are depreciation and client salary costs

3.14 In reviewing the costs of the various facilities there are a number of issues which impact on the future commerciality and development of the service, including

- LLC generates over £2 million (48%) of the income. Thus it is clearly a very significant facility in the overall provision of the service, however it is the only

SECTION 3 – EXISTING PERFORMANCE

facility in the north of the Borough and the remaining facilities all serve Tonbridge.

- PWGC delivers an overall surplus to the Borough and this should be maintained in any future management option
- Central support services are allocated to the LSBU on an arbitrary basis and this relates back to CCT when an analysis of the support costs was undertaken to ensure the LSBU was competitive

3.15 We have used the existing costs of £1.577 million as the base cost for all options when comparing the future cost of the service and the impact of savings.

3.16 We have also undertaken an analysis of a series of performance indicators as summarised in the table below (with more detail in Appendix B) to assess the performance of the Centres against benchmarks in the industry. The benchmarks are from RPT Consulting's database of operational performance of over 100 centres across the UK.

Table 3.4 – Performance Indicators

Facility	Income per square metre (£/sqm)	Fitness income per station (£)	Swim Income per square metre (£/sqm)	Energy cost per square metre (£/sqm)	Maintenance Cost per sqm (£/sqm)	Staffing cost as percentage of Income
Benchmark	206	5,566	580	23	30	98%
LLC	385	9,792	1,058	61	30	83%
AC	171	4,545	n/a	29	15	94%
TSP	351	n/a	813	86	53	80%
PWGC	457	n/a	n/a	21	24	31%

3.17 In analysing these indicators there are a number of issues highlighted which will impact on any future provision

- Generally the facilities perform better than the benchmark for overall income per sqm, with AC being the exception. This is based upon the fact that it is a dryside sport and community facility which relies on the booking out of spaces, whereas other facilities have swimming facilities.
- LLC performs particularly well in fitness income, whereas AC whilst performing reasonably well is not at the level of LLC. This is due primarily to the level of local competition but also the offer at AC is not as well developed and its location in the building is not ideal
- Swim income at both LLC and TSP performs well, recognising the attractiveness of the pools.
- Maintenance costs are at or around the benchmark which reflects the investment in maintenance which has been undertaken.
- Energy costs are particularly high in comparison to the benchmarks, particularly at LLC and TSP, which probably reflects the lack of dryside at TSP and the leisure features at LLC. There may, however, be opportunities to focus on reducing these.
- Staffing costs as a percentage of income are very competitive against the industry benchmarks

SECTION 3 – EXISTING PERFORMANCE

3.18 Whilst in overall terms the existing facilities perform well, there do appear to be some opportunities to improve the operational performance of the facilities and we explore this in the next section.

Summary

3.19 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.

3.20 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.

3.21 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.

3.22 We have therefore taken this position into account as part of the analysis of the future performance when assessing the various management options, later in the report.

SECTION 4 – FUTURE OPPORTUNITIES

A Range of Opportunities

- 4.1 In this section we identify a number of opportunities which have the potential to improve the financial position of the Council, without having any negative impact on outcome delivery.
- 4.2 Some of these opportunities can be actioned whichever delivery option is chosen. We explore in Section 5 the differences in the financial implications for each delivery option.
- 4.3 The opportunities fall into two categories
 - **Operational changes** – which do not require capital investment and can be implemented in the short term.
 - **Capital Developments** – which are investment schemes that will improve the revenue position of the operation and require some level of capital investment
- 4.4 The deliverability of these opportunities (including who takes the risks associated with delivery) will depend on a number of factors, one of which will be the delivery organisation, whether it is the in-house team, a newly established trust or an existing trust/commercial partner. For example, whilst the in house option may be able to deliver the operational changes the risk of delivery will still sit with the Council. Leisure is inherently a risk taking business and there is often a need to invest to save as opposed to simply look at reducing costs.
- 4.5 There will be further opportunities for revenue savings as a result of transferring services to a partner organisation, such as Business Rate (NNDR) and VAT savings, which are explored further in Section 5.
- 4.6 The remainder of this section explores each of the opportunities in more detail with the financial implications presented in Appendix B, and summarised at the end of the section.

Operational Changes

- 4.7 The operational changes have been identified through work undertaken to review key commercial areas, such as Health and Fitness and Swimming Development as well as reviewing other key expenditure areas, such as staff structure. The changes have been developed through a combination of the in house operational team (as part of the business plan for 2012/13) and the consultant team identifying opportunities.
- 4.8 There are a number of areas which have been reviewed and we summarise key areas for improvements below.

Dryside Coaching

- 4.9 Recently the LSBU has altered its swim coaching programme to move from a termly programme to a 45 week programme which provides more continuity for the attendees and ensures that assessment can take place throughout the year. This is becoming common practice within the industry which seeks to deliver a continuous assessment programme.

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4.10 The dryside coaching programmes within the centres are currently on a termly programme and consideration is being given to moving to a 45 week programme which would bring a number of benefits as outlined for the swimming programmes above.

Sales and Retention Remuneration

4.11 Currently the sales team staff in the LSBU are not incentivised financially to hit sales targets for membership, both in terms of new members and the retention of members. We understand that the introduction of financial incentives through a bonus scheme is difficult to introduce whilst the staff are employed directly by the Council as this raises issues in respect of a two tier work force and differing terms and conditions.

4.12 Within the leisure market it is common practice that sales staff are incentivised through their remuneration and as a result it may be that through other management options there would be an opportunity to introduce remuneration which incentivises staff to hit sales target. This could be achieved through the sales staff receiving a % of any memberships they sell above a certain level.

Golf Membership

4.13 PWGC doesn't currently operate a membership scheme for golf and relies on pay and play usage only, although there is a club based at the Centre.

4.14 Consideration could be given to introducing a non exclusive golf membership at the Centre which would deliver a number of benefits including

- Greater loyalty from users and creation of a sense of belonging
- Less attrition of usage – giving people the opportunity to progress from pay and play to membership
- Attract members of other clubs who wish to be a member rather than pay and play
- Even out income so that there is a regular income without dips as a result of poor weather

4.15 The membership would not replace the pay and play opportunities and would be in addition to offering pay and play prices and opportunities, thus retaining the principle of access for all.

Retail and Merchandising

4.16 The current retail and merchandising offer across the facilities is varied, with LLC having a contract to deliver the retail and merchandising for the Centre through a small shop whilst TSP manages this directly.

4.17 The profile of retail and merchandising at the facilities suggests that there are opportunities to improve the revenue from retail, with a better display and improved product range to create sales and deliver additional turnover.

Utilities Savings

- 4.18 The performance indicators suggest there are opportunities to reduce utilities costs, as most of the facilities are higher than the benchmarks. It is likely some of the costs will be reduced through capital investment but also there is the potential to review energy saving practices and ensure facilities are only used at peak demand.
- 4.19 Appendix B presents initial financial assumptions behind these opportunities and the impact of revenue, however these will require more detailed analysis to assess whether these projections can be delivered. Whichever management option the Council decide to progress there is the potential to introduce these schemes directly or in partnership with an operator .

Capital Developments

- 4.20 Over recent years the Council has invested significant capital in the facilities, and is currently investing in new facilities at LLC. However there are also a number of opportunities which could deliver enhanced revenue positions through targeted investment at the facilities.
- 4.21 We summarise these potential projects in the table overleaf

SECTION 4 – FUTURE OPPORTUNITIES

Table 4.1 – Potential Capital Developments

Capital Scheme	Project description
LLC – fitness suite development	The current fitness suite could be opened up to remove the large reception area and create a more open aspect to the fitness room. This would enable the facility to have a higher profile and for customers to see the range of the equipment within the facility. In addition it is estimated that additional equipment could be introduced to create more space and thus additional members could be attracted.
LLC – conversion of the squash courts into a fitness studio	This is currently being undertaken as part of the capital programme for 2012/13 and involves using the squash courts as a fitness studio which could be used for a wide range of dance and exercise classes.
AC – fitness development	There is an opportunity to develop the fitness offer at AC by improving access and creating a higher profile to the gym through either a separate entrance or more high profile opening of the facility with windows, etc
TSP – beauty/treatment rooms	The beauty and treatment rooms at TSP are currently in the middle of the health suite and do not lend themselves to people using them for beauty and treatments. If they were relocated to the front of the health suite (where the changing is) then people would be able to go straight to them without going through the health suite, which is likely to improve the comfort and feel of the rooms.
PWGC – conversion of the squash courts into a fitness offer	The squash courts at PWGC are underused currently and there is the opportunity to create a new fitness facility in place of some of the squash courts. This would be both a fitness gym and fitness studios.

4.22 It is recognised that there are a number of issues with some of these opportunities but with relatively small scale investment there is the potential to deliver improved revenue positions, even after paying back the capital. It is also important that future investment decisions should be considered within the broader strategic context of the provision of leisure facilities, particularly with the growth in facilities on school sites available to the local community.

4.23 Appendix B also presents initial financial assumptions behind these schemes and the impact of revenue, however these will require more detailed analysis to assess whether these projections can be delivered. Whichever management option the Council decide to progress there is the potential to introduce these schemes directly or in partnership with an operator .

Summary

4.24 We have presented a series of opportunities which could be implemented and have the potential to deliver an improved financial position for the leisure facilities

4.25 If the Council decide that some or all of these opportunities should be progressed then there is a need to undertake more detailed analysis of the potential schemes including the further development of business cases.

SECTION 4 – FUTURE OPPORTUNITIES

4.26 Whichever management option is chosen, then the schemes can be delivered through the management option, particularly if the Council can fund capital through prudential borrowing. As a result we have not included the impact of any of these opportunities on the financial analysis of the various management options, in the next section.

A Number of Options

5.1 We consider in this section the potential future management options which are available to TMBC for the service. There are 5 principle options for TMBC, including

- **In house option** – where the service is continued to be managed directly by the Council, in effect maintaining the status quo in terms of control and governance.
- **A new Not for Profit Distributing Organisation (NPDO)** – where the service is managed by a newly established NPDO specifically set up to run TMBC services. The NPDO is established by TMBC from the existing LSBU.
- **An existing NPDO** – where the service is managed by an existing NPDO which operates services for other Councils, such as Fusion Lifestyle (currently managing Tunbridge Wells). Typically these trusts have developed following an initial transfer of services through the creation of NPDO to deliver leisure services.
- **Hybrid Trusts** – where the service is operated by a private sector Leisure Management Contractor, such as Leisure Connection, DC Leisure, SLM, through a NPDO organisation. It should be noted that within the private sector all of the major operators also have different operating models which enable the benefits of NDR savings and VAT to be realised, commonly known as Hybrid Trusts. Indeed some of the organisations are now established as registered charities, such as Active Nation.
- **Private Sector** – where the service is operated by a private sector Leisure Management Contractor, such as Leisure Connection, DC Leisure, SLM, without the use of a NPDO organisation. All the operators offer this potential as well as their NPDO organisation (Hybrid Trusts)

5.2 We seek in this section to provide an overview of the various characteristics of each of these options, such as the type of organisation and the various governance and other issues arising from each of them. We also will

- a. Identify the key differences between the options
- b. Establish the potential market interest from existing NPDOs
- c. Compare the likely financial implications for each option
- d. Review the legal issues for the options
- e. Evaluate how well each option might deliver against the outcomes

5.3 All of the five options presented above are well established within the leisure market and there are examples of all of the options operating within the Local Authority market, we provide some examples and case studies throughout the section. Indeed within Kent there are examples of all of the management options operating within the Local Authorities. Table 5.1 overleaf sets out the neighbouring authorities and how they manage their facilities.

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Table 5.1 – Leisure Provision 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

- 5.4 It can be seen that within Kent the establishment of a new NPDO has been the most popular management option in recent years. Newly established NPDOs can grow and develop their portfolio to work with other authorities contracts, an example of this is Freedom Leisure, originally a new NPDO at Wealden District Council , as illustrated below.

<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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- 5.5 Alternatively some newly established NPDOs remain operating within their own boundaries very successfully, for example Wave Leisure in Lewes and Sportspace in Dacorum Borough Council (see case study overleaf)

<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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- 5.6 There are a number of issues which will need to be addressed, such as TUPE, procurement, pensions, condition surveys, in any future delivery option. We will address these issues at the end of the section.

Key Differences in the Options

- 5.7 Appendices D (Management Options) and E (Legal Issues) provide further detail about each of the options and some of their key characteristics as background. We summarise some of the key features of the delivery organisations below

- Governance – what type of organisation and how they are established
- Relationship with the Council – how they contract with the Council
- Other key areas, such as staffing, finance, etc
- Advantages and Disadvantages of each option

- 5.8 The following paragraphs summarise in each of these areas how the various options are structured and relate to the Council. We then summarise these issues in a comparison table (Table 5.2) which compares each of the options across a number of areas.

Governance and Organisation Structure

- 5.9 The in house option is structured as part of the Council and will typically form part of a wider department in the Council, in the case of Tonbridge and Malling this is Leisure Services.
- 5.10 For a NPDO there are 3 principal types of organisation which are set up whether it is an existing NPDO, or a newly created NPDO. This equally applies to Hybrid Trusts as well. These are
- **Charitable Company Limited by Guarantee (CLG)** – a corporate body similar to other companies, except that profits cannot be distributed to shareholders. An example is Aspire Sports and Cultural Trust operating Gloucester City Council facilities or SportSpace (Dacorum Borough Council)
 - **Industrial and Provident Society (IPS)** – a friendly society with charitable objectives, typically the employees will ‘own’ the IPS as members but will be

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required to operate for the benefit of the community. An example is Celtic Community Leisure operating Neath and Port Talbot facilities

- **Unincorporated Association or Trust** – set up as an association or Trust with no limited liability for members
- 5.11 There are a number of differing types of CLG, including Community Interest Companies and Charitable Incorporated Organisations, which are set up as Companies but have additional rules protecting the community assets.
- 5.12 Within the leisure market the two most common forms of NPDO are the CLG and IPS, both of which are suitable for the delivery of services, although the corporate structure of a CLG is often seen as more favourable, as it is a more familiar structure when dealing with third parties such as banks, other funders and investors. An unincorporated association or trust is unsuitable, principally due to the unlimited liability of trustees.
- 5.13 Both CLG and IPS will have boards of trustees or Directors who run and manage the organisations, typically with less than 20% representation from the Council in order for the NPDO to retain its independence. This is important so that the NPDO is seen as off balance sheet and enables the NPDO to seek funding from banks and other investors.
- 5.14 The basic principle for all of the organisations and governance arrangements is that they are charitable or operate as charities, which enables them to benefit from NDR, VAT and other tax relief (such as reduced corporation tax).
- 5.15 The private sector would be a normal corporate body which would distribute profits to shareholders and be regulated by the corporate governance structure and companies house.

Council Relationship

- 5.16 For both existing (including hybrid NPDO) and newly created NPDO's they will require a lease of the facilities (usually at peppercorn rent) with a grant funding agreement or management agreement requiring the NPDO to deliver the outcomes as part of a specification. The reason for the lease (and beneficial occupation) is to enable the NDR (Business Rates) relief to be achieved.
- 5.17 We recommend a management agreement is put in place (whether with an existing NPDO or new NPDO) as this will enable the management fee to be standard rated for VAT and improves the ability for the NPDO to recover its VAT. A grant would not attract VAT and thus lead to greater irrecoverable VAT.
- 5.18 We explore the length of agreement later in the report. There are a number of ways in which the differing models will relate to the agreement and each organisation will have its own particular structure, however in general the arrangements are as follows.
- **Newly Created NPDO** – the trust board and organisation will be focused specifically on Tonbridge and Malling and as such the trustees will be from Tonbridge and Malling and the management agreement will be with an organisation that focuses on Tonbridge and Malling, in the first instance. There is usually therefore no need to structure any sub contract or other agreements.

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- **Existing NPDO** – the organisation will be operating services outside Tonbridge and Malling and indeed the main place of business is likely to be outside Tonbridge and Malling. Typically the trust would set up a local management board (or board of Trustees) which would be part of the overall NPDO and report through to the main board. This is not always the case but if Tonbridge and Malling require this to be the structure then it can be a requirement of any arrangement. The local board would then have responsibility for *overseeing* the agreement but with the main board still taking *responsibility* for the financial and outcome delivery. This may be particularly important where the Council requires the NPDO to reinvest any surpluses back into its own facilities.
- **Hybrid NPDO** – the NPDO in this arrangement is generally the principal with whom the lease and management agreement is signed. They will then typically contract the operation of the services to a commercial leisure management company, passing down the obligations set out in the specification and management agreement. Each organisation has their own terminology and also some of the organisations provide for the ability to have local trustees and a local trust, whereas others do not. Generally speaking if there are surpluses on the contract these are more likely to be shared with the parent organisation as opposed to all surpluses being reinvested in the facilities and this is not a locally decided matter.
- **Private Sector** – there is typically a management contract with the private sector which may or may not include a lease. There is not such a need for the lease as NNDR relief is not able to be achieved. Any profits would be shared with the Council and there would not be any representation of local people on the Board of Directors.

5.19 In all cases the responsibility for achieving the NNDR and VAT savings sit with the NPDO, however usually the Council will be required to accept the risk if there is a general change in law altering the position on NNDR and VAT. If the reason for loss of NNDR or VAT relief is due to the NPDO's changes then this risk would sit with the NPDO.

5.20 We set out in Table 5.2 overleaf a comparison of the key features across the various options. For the purpose of the comparison we have combined the existing NPDO and Hybrid Trust as they have similar features.

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Table 5.2 – Management Options Compared

Area	In House	NPDO for TMBC	Existing NPDO/Hybrid Trust	Private Sector
Governance Arrangements	<ul style="list-style-type: none"> Part of Leisure Services and governed by Executive Member and Chief Officer structure of Council 	<ul style="list-style-type: none"> A Company Limited by Guarantee, with surpluses reinvested in service, Memorandum and articles will determine the business of the NPDO, to include where they can do business and what they can deliver. Governed by an independent Board of Directors, with limited (less than 20%) Council representation. Local people on Board appointed by TMBC A charity – regulated by charity commission 	<ul style="list-style-type: none"> A separate company (charitable structure in place) Board are unlikely to be local people – although there is the possibility they could be No Council representation on the board 	<ul style="list-style-type: none"> A corporate entity which distributes profits to shareholders Board are unlikely to be local people No Council representation on the board
Council Relationship (controls/ influence)	<ul style="list-style-type: none"> Direct control by Council and Council ownership of all facilities 	<ul style="list-style-type: none"> Lease of the buildings granted on peppercorn rent to partner, freehold ownership remains with Council Management Agreement attached to lease requiring partner to deliver outcomes and 		

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Area	In House	NPDO for TMBC	Existing NPDO/Hybrid Trust	Private Sector
		service standards, linked to a performance monitoring system if underperform <ul style="list-style-type: none"> • Management Agreement includes for annual service development plans to be produced and agreed by Council • Council pays management fee for the delivery of the outcomes 		
Service Delivery	<ul style="list-style-type: none"> • Council fully responsible for pricing decisions, delivery of service and outcomes • Full operational risk with the Council • Maintenance of facilities responsibility of Council 	<ul style="list-style-type: none"> • Council specifies prices, outcomes and service quality through specification and contract • Operational risk sits with partner • Maintenance responsibility will be with partner, level of responsibility (full repair and renewing or operational maintenance) to be decided • partner need consent of Council for any capital works or variation to building use 		
Staffing Arrangements	<ul style="list-style-type: none"> • Directly employed and subject to Council terms and conditions • Council responsible for any pension deficit 	<ul style="list-style-type: none"> • Partner employs staff , after an initial TUPE transfer – staff transfer on same terms and conditions, including pension. This may include staff not within Leisure Centres budgets (such as central support) • Pension to be admitted body status or similar. Council responsible for contributions relating to pension deficit up to transfer. Partner responsible for any deficits arising from their own actions 		
Support Services	<ul style="list-style-type: none"> • Council determines level of support services and 	<ul style="list-style-type: none"> • NPDO decides on support services they 	<ul style="list-style-type: none"> • Existing NPDO will have their own central support 	<ul style="list-style-type: none"> • Private Sector will have their own central support

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Area	In House	NPDO for TMBC	Existing NPDO/Hybrid Trust	Private Sector
	<p>allocation of charges from/to central services</p> <ul style="list-style-type: none"> No savings from Central Support 	<p>need and where they purchase these services from</p> <ul style="list-style-type: none"> NPDO can purchase services from Council through SLA but NPDO decision Savings in the central support services through no longer delivering support to leisure centres can be achieved There will be a need for a proportionate commissioning/ client role in the Council 	<p>services – thus no option for continued provision by Council</p> <ul style="list-style-type: none"> There will be a need for a proportionate commissioning/ client role in the Council 	<p>services – thus no option for continued provision by Council</p> <ul style="list-style-type: none"> There will be a need for a proportionate commissioning/ client role in the Council
Financial Arrangements	<ul style="list-style-type: none"> Council fully responsible for delivery of revenue Access to capital limited to prudential borrowing and council capital, assuming no grant 	<ul style="list-style-type: none"> NPDO responsible for revenue and expenditure and takes some risk on delivery Capital can be accessed through prudential 	<ul style="list-style-type: none"> NPDO responsible for revenue and expenditure and takes all risk on delivery Capital can be accessed through prudential 	<ul style="list-style-type: none"> Greatest risk on delivery Capital - prudential borrowing, council capital and grants plus private sector Capital works need the

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Area	In House	NPDO for TMBC	Existing NPDO/Hybrid Trust	Private Sector
	<p>funding</p> <ul style="list-style-type: none"> No tax advantages 	<p>borrowing, council capital and private sector investment (banks, etc) as well as grant funding if available</p> <ul style="list-style-type: none"> Capital works need the consent of the Council , and it is likely that the Council would need to undertake the works (with the NPDO undertaking risk of delivery to avoid irrecoverable VAT on capital Tax advantages through VAT exemption on income set off by non recoverable VAT on expenditure and NNDR relief (80%) 	<p>borrowing, council capital and private sector investment (banks, etc) as well as grant funding if available</p> <ul style="list-style-type: none"> Capital works need the consent of the Council Tax advantages through VAT exemption on income set off by non recoverable VAT on expenditure and NNDR relief (80%) 	<p>consent of the Council</p> <ul style="list-style-type: none"> No Tax advantages

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Advantages and Disadvantages of the Options


5.21 There are a number of key areas which highlight the advantages and disadvantages between the options which we summarise in the Table below, and explain further in the paragraphs below.

Table 5.3 – Key Differences

Key Area	In House	New NPDO	Existing/ Hybrid NPDO	Private Sector
Culture/Motive	Not for Profit	Not for Profit	Social Enterprise	Profit
Financial Risk	Council retains risk	Council effectively retains risk	Medium risk transfer	Highest risk transfer
Quality Risk	Council Control	Lower Risk	Medium Risk	Medium Risk
Commercialism	Limited	Some	Commercial	Very Commercial
Ability to Invest Capital	Limited	Limited	Yes – up to circa £5m	Yes – up to £20m
Tax advantages	None	Yes – NNDR and VAT	Yes – NNDR and VAT	None

5.22 There are clearly other differences between the various options but we have highlighted in the table above the areas in which there are significant differences and summarise below the rationale for the comments in table 5.3.

- Culture/Motive** – by this we mean the overarching rationale for the operation. Thus the in house and a new NPDO are not for profit organisations and this is what drives them, in that they typically operate the facilities and services for existing customers rather than develop the service outside of the facilities for the broader social enterprise. There is the potential the new NPDO could develop into a social enterprise (and could therefore be part of a wider corporate approach to service delivery) but in the first few years it is more likely to be a not for profit motive. However an existing NPDO has typically developed further into a social enterprise, which in essence means their culture is such that they will drive commercial areas and develop business but focus on achieving social outcomes (such as improved health for disadvantaged groups). Examples of this include GLL and HALO which were both set up as trusts to deliver services for Greenwich and Hereford respectively (see case study below). Whilst a new NPDO may well be established with this aim, often in the early years this is difficult to achieve, as they are simply trying to achieve the financial objectives. The private sector motive is profit driven, however this is becoming more blurred with the establishment of organisations such as Active Nation who are charities and whilst operate as private companies have social aims. Hybrid NPDO's whilst having not for profit motives and are structured as such, do also have a profit element in that the commercial organisation partnered with the hybrid will be focused on a profit. The in house model also is part of a wider organisation which is not purely focused on leisure provision and as such it will often be subject to conflicting priorities and pressures from other services, whereas the other options are focused purely on leisure. Experience has shown on other transfers that when the service transfers to an organisation which is focused on leisure the financial position improves, even though essentially the service is being managed by the same staff.

<p>Case Study – Social Enterprise</p> <p>Both HALO and GLL were set up as NPDO’s to deliver leisure services for Councils (Hereford and Greenwich respectively). Since being established they now manage other facilities for local authorities and have developed into social enterprises, for example</p> <ul style="list-style-type: none"> • GLL operate libraries as well as leisure facilities • The development of a sports foundation to deliver support for talented athletes • Working with the NHS, GP Practices and Health Care Professionals <p>HALO was also one of only 5 social enterprises awarded flagship status and are holders of the Social Enterprise Mark.</p>	
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- **Financial Risk** – the ability for the Council to transfer the risk of operation and financial performance to the partner may be seen as an important issue for the Council. For both the in house team and effectively a New NPDO the risk is retained by the Council. In the case of a new NPDO this may change in later years as the organisation becomes established but in the early years any downturn in performance will mean the NPDO is likely to come to the Council for additional funding. Both an existing NPDO and the Hybrid Trust have the ability and resources to take on significant risk, although within each of these categories the level of risk will depend on the size of the organisation and their resources. The private sector (and to a certain extent the Hybrid NPDO) will enable the Council to transfer the highest level of risk due to the significant size of its balance sheet.
- **Quality Risk** – there is also the issue of the risk of quality of service suffering through other management options. It should however be recognised that for leisure facilities the majority of revenue comes from customers and as such whichever management option is chosen , there is a vested interest in ensuring the customer is happy and high quality will drive revenue. There is though the danger that with an existing or hybrid NPDO and the private sector they may be diverted from Tonbridge and Malling’s facilities if another contract is higher profile or requires greater investment of time and resource. With the in house and newly established NPDO all of their focus is on Tonbridge and Malling’s facilities and as such they are more likely to ensure that the quality is maintained and improved. The in house level of quality is also determined by the resources available and it may be that other priorities of the Council divert resources and so reduce quality.
- **Commercialism** – each of the options has a different level of commercialism with in general the Private Sector, Hybrid and existing NPDO’s having greater ability to develop commercial strategies and deliver improved revenues, through their experience and economies of scale gained over a number of different sites and contracts. An example of this is the Everyone Active brand which has been developed by SLM. This is usually manifested

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in effective procedures and development of a commercial culture within staff, while in the case of existing NPDO's particularly balanced with a social focus. It is sometimes difficult to develop this culture within the in house environment and also within a newly established NPDO.

- **Capital Investment** – typically the in house team and new NPDO's will have limited ability to invest capital, other than through developing robust prudential borrowing cases. Existing and hybrid NPDO's will have greater ability to invest both from their own resources and through accessing finance, as they have established a track record of trading and built up reserves. Clearly the ability to invest will be dependent on the business case of the scheme itself but also the basis of the investment, for example whilst the in house and new NPDO organisations could invest capital this is likely to be only if the Council guarantees the repayments, which is the model organisations such as Alliance Leisure adopt. If the Council can invest capital through prudential borrowing, or its own reserves then this is also a route for investment through the in house or newly created NPDO. However the Council in these 2 scenarios is likely to be taking the risk of the financial projections which pay for the Capital, whereas the risk on the financial projections can be transferred to an existing NPDO or Hybrid, even if the scheme is funded through prudential borrowing.

It should also be recognised that a NPDO does also have the potential to bring in external funding which may not be available to the Council (through charitable trusts) or indeed is perceived as a better organisation to fund for grant funding. An example of this is illustrated below.

XC Centre, Hemel Hempstead (www.thexc.co.uk)

The XC Centre was developed to incorporate a number of extreme sports including indoor skate park, climbing wall, caving, bouldering, high ropes, etc. At a cost of £5 million (funded through the new opportunities fund) it provides value for money and a much needed facility for the youth and other market groups in Hemel Hempstead and beyond. It attracts people from as far away as Cornwall.

With a turnover of £1.2 million it delivers an operational surplus of circa £150,000, contributing to the ongoing sustainability.



- **Tax Advantages** – there are two principle tax advantages gained which are Business Rate (NNDR) relief and VAT benefits. These are only available through some form of trust structure which rules out the in house and private sector options, however all of the other options have the potential to deliver tax advantages. For the hybrid option this is based on specific structures (which differ from one provider to another) and which do need to be reviewed

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in detail prior to entering into a contract. We also discuss further the potential impact of the white paper on localism, which may mean the loss of some of the NNDR relief benefit.

5.23 It should be noted the comments set out above are a generalisation of the various options. In addition there are also potentially wide ranging differences in existing NPDO's, for example a NPDO who has managed to win a number of contracts is likely to have more significant resources and ability to deliver risk and social enterprise than a NPDO with perhaps one contract, but looking to expand.

Potential Market

5.24 As illustrated earlier, the leisure management market has developed significantly in recent years and whilst traditionally there has been three main options, (in house, NPDO and private sector) these distinctions have become blurred such that the market now tends to have a number of NPDO's which effectively compete as contractors, such as Greenwich Leisure Limited (GLL), Fusion Lifestyle and also private contractors who have developed the social enterprise aspect, such as Active Nation.

5.25 There are also a number of Hybrid Trusts, which all the major private sector contractors, such as Serco, Leisure Connection, DC Leisure, etc have developed.

5.26 In addition there are a number of local NPDO's who are likely to be interested in bidding for any Tonbridge and Malling contract, such as Sencio Leisure and other trusts highlighted in the table above.

5.27 There is likely to be significant interest in a partnership with Tonbridge and Malling, although this will depend on the scope and length of the contract. It is likely there will be interest from local NPDOs and national operators (both existing and hybrid NPDOs).

5.28 This means the Council can be confident that if they do decide to procure a partner for the operation of the services then there will be sufficient interest to have a competitive procurement. However if this is the route that the Council decide to proceed upon then we recommend that further soft market testing is undertaken.

Financial Implications

5.29 We have in Section 4 identified a series of opportunities which demonstrate the financial performance of the service has the potential to be improved. We now seek to establish the likely financial implications for each of the management options. There are a number of areas which we need to integrate, including

- **Future Operational Opportunities** – we have identified in Section 4 a number of opportunities and whilst each of the options has the potential to deliver upon these projections, there is a need to undertake more detailed analysis of the opportunities.
- **Future Capital Development Opportunities** – the opportunities developed in Section 4 can be delivered with any of the options (particularly if the Council has the ability to invest capital), however there is a need to

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undertake a more detailed business case for each of the schemes, as the projections presented in Appendix B are indicative only.

- **Tax Advantages** – the potential for achieving NNDR relief and potential VAT benefits are explored for each option
- **Central Support Costs** – currently there are a number of central support services which the Council provide to the in house team. How these are treated under each option will be different and will have an impact on the Council
- **Set Up Costs** – the costs to either set up a newly created NPDO or transfer to an existing NPDO. These have been excluded from the five year projections and overall savings as they will impact on 2012/13 or 2013/14 year in the set up phase.

5.30 We have in Appendix B brought together all of these areas into a financial model which establishes the likely savings against each of these areas and then translates them into five year projections for the future service against each of the management options.

5.31 We have assessed the financial implications based on the tax advantages and other costs associated directly with the differing management options. This assumes that the operational and capital development opportunities are not implemented, as they would be comparable for all the options and at this stage are only considered indicative projections, with further work on the business case required.

5.32 Table 5.5 below presents a summary of the financial savings for each of the management options with the potential for further savings if any of the operational or capital opportunities are implemented. However it should be recognised that at this stage there will need to be further more detailed work undertaken, whereas the base scenario is based on tax savings and other costs.

Table 5.5 – Financial Implications

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)

Note:

1. The annual financial savings are based on Year 4 and the total savings exclude the set up costs
2. Figures in brackets are additional costs

5.33 There are two options which deliver significantly more savings than the other options, which are the newly established NPDO and the Existing or Hybrid NPDO option, with savings of between £499,000 and £521,000 per annum.

5.34 The majority of savings are assigned to LLC with circa 54% of the savings (base scenario) coming from LLC, whilst the AC only delivers 12% of the savings.

5.35 We summarise below the key assumptions for each category made in calculating these savings, with further detail in Appendix B.

- **NNDR Relief** – as outlined in Appendix D, a NPDO can gain up to 80% mandatory relief from NNDR, with the potential for a further 20% discretionary relief. This is the case for new, existing and hybrid NPDO's. It will be important that if the Council progresses with a hybrid or existing NPDO utilising this structure, then the risk of tax relief is taken by the partner and that the legal structure proposed is reviewed in some detail.

The level of NNDR that the Council will save is dependent on a number of factors, as a result of the new approach to local retention of business rates. The exact level of NNDR savings the Council will make is dependent on a number of factors including the baseline assessment of NNDR, the level of revenue support provided and whether business rate collection increases or decreases.

However for the purposes of our review the financial modelling has been undertaken on the worst case scenario (which is considered to be 50% of relief saved).

- **VAT Benefits** – an analysis of the VAT implications is presented in Appendix B and represents the savings made through income which was standard rated now being exempt. It is assumed the prices would remain the same to the customer and the NPDO would make the savings on the move from standard rated income to exempt. Set against these savings is the irrecoverable VAT which the NPDO cannot recover due to its level of exempt income.

There may also be the possibility that if the NPDO makes the capital investment the NPDO cannot claim back the VAT on the capital giving rise to a significant VAT cost. If the Council can use prudential borrowing then it will be important a structure is place where the Council invests the capital but the NPDO takes the risk on repayments and capital cost overrun.

- **Central Support Costs** – if the services are transferred to a partner then there is no longer the need for the Council to provide central support services, however there will be a need for additional services which the partner will need to provide. The additional costs relating to the new NPDO would be expected to be at a similar level to the current support services (£238,000) and we have therefore assumed there is a nil effect, with the services continued to be provided by the Council in the initial years. For the other two options we have allowed for the savings to be offset by the head office overhead allocation (which is typically 5%). This assumes that corporately the Council will make the savings in the Central Costs which are no longer required.

If the Council decide to transfer the service then a more detailed assessment will need to be made of the level of savings that can actually be made, through detailed timesheet analysis. There may be TUPE implications for staff who spend the majority of their time on leisure services.

It should also be recognised that whilst the transfer of leisure services may not have a significant impact on the central support charges, if other

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services are transferred in the future, then it may be a greater impact and lead to a fundamental shift in the central support structure.

In addition to these we have allowed for additional client commissioning costs in the case of all options other than the in house where there will be a need to develop the partnership and ensure that the partner is delivering, although these costs could reduce over time.

- **Set Up Costs** – these have been excluded from the savings presented above but have been included within the detailed financial implications (Appendix B). These would apply to the service in year 1 of any transfer and relate to the costs associated with either a procurement process (in the case of an existing/hybrid NPDO) or the establishment of a new organisation (new NPDO). We have estimated these costs at £50,000 (procurement) and £75,000 (new NPDO) based on our previous experience of undertaking similar projects. This relates to the costs of external advice (such as legal, financial and project management) as opposed to officer time.

5.36 The savings presented above have been developed into five year projections presenting the likely costs for each of the three options in comparison with the base budget of 2012/13, giving the overall savings over five years and these are detailed in Appendix B along with a number of different scenarios (including excluding certain facilities).

5.37 It should be noted that the difference in savings between the newly created NPDO and an existing NPDO is only £20,000 and as such there is not a significant difference in the financial benefit.

5.38 Depending on the choice of future management option, there will be a need to develop a detailed business plan and affordability plan based on the further detailed assessment of the operational and capital enhancements that can be included.

Legal Issues

5.39 There are in any transfer to a new, existing or hybrid NPDO, a number of legal issues which are presented in more detail in Appendix E and summarised below

- **Local Authority Powers**

The powers of TMBC to establish a new NPDO or enter into a partnership are based on both the wellbeing powers of an Authority and the ability to run leisure and cultural services. The establishment of NPDOs and partnerships is well where practiced in the Local Authority market and a number of new NPDOs and Existing NPDOs operate in the leisure sector.

- **TUPE**

Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) apply in any transfer to any of the delivery options presented, except in house. This means that staff that spend the majority of time providing the services are entitled to transfer on their existing terms and conditions with no break in service.

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This clearly applies to those staff who work directly for the services being transferred (predominantly the leisure services staff), but it may also apply to other staff who work in other departments but spend the majority of their time on leisure services work. Typically this would relate to staff spending more than 50% of their time, but each case would need to be looked at individually.

It is possible that in TMBC's case there are staff in central support (such as finance, IT, Personnel) and possibly the property/maintenance teams to whom this may apply to in addition to the staff within the leisure service. If the Council decides to transfer the service to either a new or existing NPDO then detailed analysis of timesheets and roles of central support teams will need to be undertaken to identify any potential TUPE transfers. However this may be mitigated through the continuation of the provision of support services for the initial years, meaning that any TUPE transfer may be undertaken for these staff in a few years.

The other key area in relation to TUPE is to ensure effective staff consultation and management of staff concerns during the transfer process.

- **Pensions**

If TMBC enters into a partnership then there is a requirement for the contract to include pension protection for all transferring employees, which is defined as the right to acquire pension benefits which are the same or broadly comparable. In practice this would typically mean that a new NPDO would gain admitted body status to the Local Government Pension Scheme (LGPS).

For existing and hybrid NPDOs their positions on pensions will vary with some of them providing their own similar schemes and others joining the LGPS, although typically most hybrid NPDO's will provide broadly comparable as opposed to gaining admitted body status. The Council can however require that a partner gains admitted body status.

Typically existing and hybrid NPDOs will also if they have joined the LGPS seek to make it a 'closed' scheme, that is only available to existing employees. Often newly created NPDOs will also make the schemes closed.

The normal approach to costs is that the Council is responsible for contribution costs which relate to any deficit and the partner would be responsible for any changes in contribution as a result of their actions. In effect however the net cost of pensions does not change across any of the delivery options.

- **Property**

In order to gain NDR relief the property must be occupied and used for mainly charitable purposes. A lease is a presumption of occupation therefore in general to ensure maximum rate relief is achieved it is recommended a lease is entered into with the partner.

The other key issue in relation to property is whether the lease is a full repairing and renewal lease or whether the maintenance responsibilities are split with the Council retaining structural maintenance and major equipment

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replacement responsibility and the partner undertaking all other maintenance.

Typically most contracts would tend to be with a maintenance split, although increasingly existing and hybrid NPDO's are taking on full repair and renewal responsibilities. However this will come at a price as the operator will usually price in a risk factor, although sometimes this would be offset by economies of scale they can achieve.

We recommend that if a transfer is considered by the Council then the current approach is retained where the Council continues to undertake maintenance at the sites with the partner undertaking day to day maintenance.

- **Asset Transfer**

There are a number of assets which may need to be transferred in any new partnership, including equipment, ICT, supply contracts, intellectual property, operational manuals, membership databases, user information. It is important in the transfer that TMBC's position is protected and we recommend that TMBC either loan or licence the assets rather than transferring them.

In this way the partner has an obligation to maintain and repair them as appropriate and then return the asset at the end of the agreement in a good state of repair or updated as necessary.

To ensure this works properly an inventory of the assets will need to be undertaken prior to transfer.

- **NNDR**

There are two ways in which NNDR relief can be achieved, either mandatory or discretionary relief. Mandatory relief is granted to charitable organisations and is 80%. In general to achieve mandatory NNDR relief there needs to be occupation by a charitable organisation and the facilities used for predominantly charitable purposes. The establishment of a NPDO with charitable purposes would satisfy this requirement. In addition there is the potential for additional top up discretionary relief to 100%.

Discretionary relief is granted by the Local Authority and up to 100% relief can be granted, which could also include a 20% top up where mandatory relief is granted.

The current changes to the retention of business rates which means that Local Authorities are due to retain 50% of business rates from 2013 means that the actual benefit to the Council of any NNDR relief is potentially limited to 50% as opposed to the full 80% for mandatory relief, however this does depend on the baseline assessment and whether business rate collection increases or decreases.

- **VAT**

Fees for sport and recreation can qualify as exempt from VAT if supplied by an eligible body, which is typically a non profit making body, such as a

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NPDO. It should however be recognised that if the fees are exempt from VAT it does also mean the VAT on expenditure (Input Tax) cannot be recovered, so would be an additional cost to the organisation.

Some of the hybrid NPDO's have also promoted structures which enable them to claim back VAT through not for profit organisations. If the Council enter into a partnership with a private sector operator then detailed assessment of these structures should be undertaken.

- **Procurement**

Leisure in general is a Part B service under EU legislation which means there is not necessarily a presumption that any contract needs to follow OJEU procurement regulations.

5.40 Whichever route the Council decide to take these issues will need to be addressed and we present a way forward on these in Section 6.

Risk Management

5.41 Whichever option the Council decides to take there are a number of risks associated with the options including

- **Performance Risk** – the risk that the projected performance of the revenues and expenditure is not achieved.
- **Financial Risk** – in that the tax advantages and VAT benefits may not be delivered or there is a change in law
- **Operational Risk** – that the facilities are operated poorly or unsafely
- **Design and Construction Risk** – for any construction or development project the risk of overspend on capital, or faults in design or not delivering on time
- **Delivery of Outcomes Risk** – that the outcomes the Council seeks from any partnership are not delivered
- **Asset Risk** – that the facilities and equipment are well maintained and kept in good order.

5.42 For each of the delivery options there are a number of strategies and approaches which will ensure the effective management of these risks and also that the partner who is best placed to take the risk does so.

5.43 In any partnership one of the key elements which will make the partnership successful is the clear definition of responsibility and also an effective contract.

5.44 For the in house option all of the risks identified above will sit with the Council and as such the Council will need to ensure there are effective processes for managing risk. For example, there will be the need for effective budget monitoring and management of staff to deliver the service safely and on budget.

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5.45 A key area of risk will be the deliverability of any financial savings and projections. For both the in house and the new NPDO this will still effectively remain with the Council. For an existing NPDO and a Hybrid NPDO the risk of performance can be transferred to the partner, this means that once a price is agreed for the operation this will be delivered, although it should be recognised that there are certain areas where a partner is unlikely to accept risk, such as utilities pricing (due to the significant increases in utilities prices).

5.46 Thus for these two options the risk of performance and operation will sit with the partner which will protect the Council from any fluctuations in market conditions and also any poor performance of staff or the organisation. Whilst this is a key benefit in transferring the risk to a partner it is essential that the Council ensure that

- A robust and effective procurement process evaluates and establishes clear understanding of what is to be delivered
- Contract documentation sets out in a specification and agreement the responsibilities and outcomes which are required clearly and unambiguously
- There are clear penalties if the partner fails to deliver on their responsibilities
- The Council has the ability to audit and monitor performance closely if they believe there is a need to do so.

Summary

5.47 There are a number of management options which TMBC can consider, all of which are well established in the leisure market and in particular within Kent and surrounding Councils there are examples of each of these options working.

5.48 There are a number of key differences between the options which are summarised below

Key Area	In House	New NPDO	Existing/ Hybrid NPDO	Private Sector
Culture/Motive	Not for Profit	Not for Profit	Social Enterprise	Profit
Financial Risk	Council retains risk	Council effectively retains risk	Medium risk transfer	Highest risk transfer
Quality Risk	Council Control	Lower Risk	Medium Risk	Medium Risk
Commercialism	Limited	Some	Commercial	Very Commercial
Ability to Invest Capital	Limited	Limited	Yes – up to circa £5m	Yes – up to £20m
Tax advantages	None	Yes – NNDR and VAT	Yes – NNDR and VAT	None

5.49 The two options which deliver the most financial savings are the newly established NPDO and the existing/hybrid NPDO which deliver circa £0.5 million of savings per annum in comparison to the in house (existing budget) option.

5.50 In addition to this there is the potential that further savings can be achieved through operational improvements and targeted capital investment.

SECTION 5 – MANAGEMENT OPTIONS

5.51 We present our conclusions and the way forward in the next section.

SECTION 6 – CONCLUSIONS AND WAY FORWARD

Delivery of Outcomes

- 6.1 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.
- 6.2 The review has identified a number of outcomes for the future delivery of the service, as set out below

Table 6.1 – 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)

- 6.3 We present in Table 6.2 below a summary of how well each of the management options would deliver against the outcomes highlighted above.

Table 6.2 – 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

SECTION 6 – CONCLUSIONS AND WAY FORWARD

6.4 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.

6.5 As a result of this evaluation and analysis the best option to deliver the outcomes set out above is the establishment of a new NPDO, which delivers 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
- The option is known to be the preference of staff within the LSBU who would be subject to TUPE and is therefore more likely to be viewed positively by the workforce.

SECTION 6 – CONCLUSIONS AND WAY FORWARD

- 6.6 These factors together with our evaluation means we **recommend that TMBC establish a new NPDO** to deliver the facilities and this should include the operation of PWGC as well as the grounds maintenance.

Way Forward

- 6.7 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.
- 6.8 We recommend the establishment of a project team and board to oversee the process and undertake the key tasks involved.
- 6.9 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
- 6.10 We have developed a project plan based on a 12 month timescale from when the Council makes the decision.
- 6.11 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.

