



## **CABINET REPORT**

<b>Report Title</b>	<b>Leisure and Sport Strategic Business Review – Management Options Appraisal</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	3 March 2010
<b>Key Decision:</b>	YES
<b>Listed on Forward Plan:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	No
<b>Directorate:</b>	Environment & Culture
<b>Accountable Cabinet Member:</b>	Councillor Paul Varnsberry
<b>Ward(s)</b>	Non-specific

### **1. Purpose**

- 1.1 To advise Cabinet of the conclusions and recommendations arising from an appraisal of potential management options for leisure and sports provision, undertaken as part of a strategic business review of the service.

### **2. Recommendations**

- 2.1 That Cabinet notes the outcome of an appraisal of potential management options for leisure and sports provision (see annex 1).
- 2.2 That, in accordance with the outcome of the management options appraisal, Cabinet agrees to the commencement of the implementation phase for the establishment of a new charitable trust for the provision of leisure and sports development services.

### **3. Issues and Choices**

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#### **3.1 Background**

- 3.1.1 The council has high ambitions for the health and well being of its local communities. A fit and active society will enjoy improved quality of life and have longer life expectancy. In pursuit of such aspirations the council, along with its public and private sector partners, has an important role to play in enabling better access and provision of leisure facilities and promoting regular participation in sport.
- 3.1.2 In addition to the positive impact good quality, accessible leisure and sports facilities will have on the lives of local people, other potential benefits are far reaching and will range from contributing to the regeneration of the borough and increasing its economic vitality to improving social cohesion and raising aspirations.
- 3.1.3 The prevention of ill-health will also have a positive impact on the demand for health care, which will help to reduce the growing strain on NHS budgets.
- 3.1.4 Of course such benefits will not flow automatically and the council therefore needs to carefully consider how it responds to ensure maximum impact from within the reality of limited and reducing financial resources.
- 3.1.5 To address this challenge, the council has undertaken a strategic business review of leisure and sport. An output of the review was the leisure and sports facilities strategy. Approved by Cabinet last month, it provides the essential strategic framework that will enable sound decisions to be made about the role the council should play and how that role can complement the other public agencies and private sector providers.
- 3.1.6 The strategic business review has also delivered a management options appraisal. In pursuit of the vision of a fit and healthy Northampton, a range of options have been robustly evaluated to determine the optimum management model for the council's leisure and sports facilities and services.

#### **3.2 Leisure and sport strategic business review**

- 3.2.1 The development of a leisure and sport strategy was initiated by the council in November 2008 and consultants Knight, Kavanagh and Page (KKP) were appointed to undertake this work. But the need to undertake a strategic business review of these services and the way they are provided led to the revision of the brief of that commission part way through, resulting in the determination of a three phase approach, as follows:

Phase 1	Baseline assessment	Completed May 09
Phase 2	Strategy development	Completed Dec 09
Phase 2a	Management options - evaluation	Completed Mar 10
Phase 3	Management options - implementation	Due to complete Mar 11

- 3.2.2 The first phase of the leisure and sport strategy was completed in May 2009. The work undertaken established a base line for sport and leisure facilities in Northampton. It built on previous key reports and considered the contextual aspects of Northampton and its predicted population growth. It analysed the

supply and demand of provision in the borough in order to identify any additional infrastructure that may be required. In particular, it summarised the need for:

- New facilities within the borough
- The continued provision of existing facilities
- The continued provision of school swimming pools
- Facilities for emerging sports such as adrenalin sports
- Facilities for people of retirement age

3.2.3 The first phase of the leisure and sport strategy was a valuable piece of work and provided us with a firm basis from which to undertake a strategic business review.

### **3.3 Strategic business review – leisure and sport**

3.3.1 The strategic business review of leisure and sport was undertaken in two further concurrent phases (phase 2 and phase 2a), as follows:

#### **3.3.2 Phase 2 – development of the leisure and sport facilities strategy**

The leisure and sport facilities strategy was approved by Cabinet on 10<sup>th</sup> February 2010. This phase of the study determined the council's strategy for facility provision across Northampton. It has

- Taken account of the national, regional and local context for sport and other policies and publications which enables planners and policy makers to take informed decisions on enhancing local provision
- Identified the role of each facility within the context of Northampton being a desirable place to live, work and play as well as achieving national targets in increasing participation in sport and physical activity and health improvement
- Identified the investment requirements for each of the existing facilities to enable them to fulfil their role
- Identified opportunities for facilities to be rationalised
- Specifically, identified the development options for Lings Forum
- Identified the role of Northamptonshire schools' sports and swimming facilities
- Identified the key stages of the strategy delivery plan through until 2026
- Identified potential funding sources to deliver the strategy

#### **3.3.3 Phase 2a – management options appraisal**

The management options appraisal is the subject of this report. It has identified and evaluated the management options for the delivery of leisure and sport in Northampton. In particular, it has considered the potential benefits that models such as charitable trusts and private sector provision might provide.

### 3.3.4 Specifically phase 2a has:

- Determined if the Council is currently achieving value for money
- Identified a range of opportunities to maximise financial advantage and, in particular, to access new opportunities for savings and investment
- Identified criteria against which the potential options can be measured.
- Identified the advantages and disadvantages of each management option
- Undertaken a financial evaluation of each of the options
- Reached a conclusion as to the best management option for NBC

### 3.3.5. Management options evaluation - conclusion

As described in paragraphs 3.3.3/4, a robust options appraisal has taken place that has evaluated a range of delivery models against a number of qualitative and financial criteria. It has emerged that the management option most likely to enable us to meet our strategic and operational objectives is a new charitable trust.

3.3.6 A charitable trust that is correctly set up and provided with the appropriate leadership and support will have the potential to herald an era of aspiration and innovation. New freedoms and opportunities will be there to be grasped and greater commerciality will be encouraged and promoted. The new charitable trust's ability to attract and retain a talented board from a broad range of backgrounds – for example the healthcare profession, the financial sector, the legal profession and both amateur and professional sports, along with representatives from the local authority(ies) – will be key to its success, as will its ability to forge strong partnerships with key public agencies.

3.3.7 Within the context of the mixed economy that exists in Northampton for leisure and sport, a charitable trust will offer the council the most potential to achieve its desired outcomes and provide the best return on its investment. Ultimately it will deliver the most sustainable solution through the period of austerity that the public sector has now entered.

### 3.3.8 Phase 3 – implementation of preferred management option

Building on the recommendations arising from phase 2a to put in place a new management model for leisure and sport, it is now proposed that phase 3 of this project focuses on implementing the new arrangements.

3.3.9 It is anticipated that the implementation phase will take a year and it is proposed that project support is commissioned to manage the implementation. A robust project plan will be developed which will be closely monitored.

## 3.4 Choices (options)

3.4.1 Cabinet can choose to agree to commence implementation of a new charitable trust for the provision of leisure and sports services leading to innovation, improved outcomes and reduced costs.

- 3.4.2 Alternatively, Cabinet could decide to continue with the current delivery model which provides a good service to the people of Northampton but faces growing financial challenges each year as the level of subsidy to this non-statutory service competes with other high level, statutory priorities. Careful consideration therefore needs to be given to the sustainability of the option not to change delivery models.

#### **4. Implications (including financial implications)**

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##### **4.1 Policy**

- 4.1.1 The management options appraisal has been undertaken within the wider context of the recently approved leisure and sport facilities strategy that sets leisure and sport in Northampton within a strategic context that is aligned to plans for regeneration and growth in the area.

##### **4.2 Resources and Risk**

- 4.2.1 For the foreseeable future, the council will be required to subsidise the charitable trust. Payment of subsidy will be tied to the delivery of outcomes. A charitable trust will also have access to funding streams that are not open to local authorities and will be better placed to negotiate funding from partners.
- 4.2.2 It is anticipated that implementation of the recommended management option for the provision of leisure and sports development will have the potential to achieve efficiencies and savings. The KKP options appraisal identifies potential savings of up to £260k against 2008/09 outturn figures. The actual level of subsidy will be a matter for negotiation between the Council and the Trust's shadow board and will be influenced by the perceived robustness of current budgets, the potential for efficiencies/additional income and the extent to which risk is transferred. Moving to a charitable trust may provide a means of capping future costs and might also protect the service from the impact tight financial constraints could have on discretionary areas of activity.
- 4.2.3 Further opportunity to reduce subsidy may exist if the council is able to exploit its more advantageous position in relation to capital borrowing and uses this advantage to offset revenue contributions. This potential will need to be fully explored during the implementation phase.
- 4.2.4 The original leisure and sports facilities project was commissioned through a tender process at a cost of £43,000. Revisions of the brief gave rise to a cost increase of £7,500, bringing the total cost of the project to date to £50,500, which has been funded by a contribution of £19,500 from Northamptonshire County Council and the balance from LABGI.
- 4.2.5 The cost of the implementation phase is estimated at approximately £120,000. It is recommended that this is funded from the council's investment fund.
- 4.2.6 There will be risks associated with the establishment and operation of a charitable trust, as indeed there are risks associated with providing the current service. These risks will be appropriately identified, assessed and managed as part of the project implementation.

#### **4.3 Legal**

- 4.3.1 The establishment of a charitable trust has complex and challenging legal implications which will need to be carefully managed. These implications will require expert legal advice and guidance which will need to be externally commissioned. Legal advice accounts for a significant part of the total funding required for phase 3 (paragraph 4.2.5).

#### **4.4 Equality**

- 4.4.1 An equalities impact assessment was undertaken of the leisure and sport facilities strategy, which provides the strategic context for this report. Due consideration has also been given to equalities issues in the undertaking of the options appraisal. The council has high standards in relation to equalities and any changes introduced will be fully consistent with these standards and, as appropriate, will be subject to further equality impact assessment.

#### **4.5 Consultees (Internal and External)**

- 4.5.1 The strategic business review has involved consultation with a broad range of stakeholders and such views have been used to inform the outcomes of the process to date.

#### **4.6 How the Proposals deliver Priority Outcomes**

- 4.6.1 The proposals contained in this report will significantly contribute to the priority outcomes of 'improving health to enhance the well-being of our communities' and 'a well managed organisation that puts the customer at the heart of what we do'.

#### **4.7 Other Implications**

- 4.7.1 None

### **5. Background Papers**

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Leisure & sport strategy facilities strategy (February 2010)

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