

COUNCIL MEETING - 17 DECEMBER 2002

RECOMMENDATION TO COUNCIL
COUNCILLOR HENLEY - LEISURE, ARTS AND CULTURE

Leisure Trust Status

A joint meeting of Health and Leisure Panel and the Executive, held on 21 November 2003, considered proposals regarding the formation of a Leisure Trust.

As part of the Sports and Pitches Best Value Review, the Council had commissioned the company, Strategic Leisure, to undertake a study to evaluate the alternative options for the management of the Sports and Leisure Service. The initial feasibility study received in January 2002 reached the following conclusions:

- (i) the current in-house service was providing an economic, effective and efficient service;
- (ii) the establishment of a Trust could provide a Best Value solution. The option could generate a tax based solution equivalent to around £250,000 per annum; and
- (iii) there would be no significant benefit in a private sector partnership due to the cost effectiveness of the current operation.

A more detailed study was commissioned as a consequence to consider the following:

- the need for capital investment given the condition of the facilities;
- the impact on the Council of any Trust;
- a draft business plan for the Trust;
- the scope of any externalisation;
- the form of Trust; and
- the needs of stakeholders.

This further study had now been undertaken and the meeting, to which all Councillors had been invited, received a presentation from Strategic Leisure on their findings and conclusions.

To maximise the financial benefits available and cause minimum disruption to the Council, the study recommended that a Trust should be established based initially on the leisure centres, Vivary Golf Course, development services and sports pitch bookings.

There were two options for forming a Trust. These were a company limited by guarantee or an industrial and provident society (IPS).

An IPS would be easier and quicker to establish, would be less heavily regulated and allowed for the involvement of employees. It could also be deemed an "exempt charity" enabling the Council to use its discretionary powers to grant mandatory tax relief. This would be very important in meeting the future capital needs of the service.

The essential capital maintenance programme over the next ten years was estimated at £2.38 million. If the current revenue position was sustainable, it was predicted that the tax and VAT advantages arising from the establishment of an IPS would amount to approximately £290,000 per year. Much of these revenue savings could be used to fund the capital requirements of the existing facilities.

Other financial implications were:

- (i) start-up costs of approximately £70,000 would need to be taken from year one savings;
- (ii) a contingency allowance of £25,000 should be set aside as initial working capital for the first two years;
- (iii) as there was to be no TUPE transfer of Central Support Staff, a phased "exit route" would need to be negotiated to allow the Trust to procure support services from the Council for a short period of time;
- (iv) the Trust would incur additional support costs of approximately £70,000 a year from year two onwards following the recruitment of a Finance Director and additional personnel support; and
- (v) the study assumed that the Head of Commercial Services post and her Personal Assistant would TUPE transfer as well as all of the existing staff directly employed by the Leisure DSO.

The formation of a Leisure Trust or IPS would have an impact on both Commercial Services and Community Services.

With the loss of the Head of Commercial Services and the entire Leisure DSO function, alternative management arrangements would need to be made for the DLO, Procurement and Cemeteries and Crematorium. The options available to the Council would need to be carefully considered and it was suggested that £23,000 be retained from the savings each year to finance these arrangements.

Although Community Services would be responsible for monitoring the Trust/Council partnership and for negotiating the annual grant settlement, it would also be responsible for strategically planning Leisure Services in the future, even though the professional advice such planning relied upon, would be transferred with the Leisure DSO staff.

To resolve this issue it was proposed that the remit of the Leisure Development Manager's post be widened to include sports issues and that a new post of Strategic Leisure Officer be created with £30,000 being retained from the savings each year to finance the post.

The Council would continue to:

- retain the assets;
- formulate the leases (typically 20 years) which could include break clauses;
- negotiate the annual grant with the Trust enabling it to ensure that the Trust delivered its corporate objectives;
- take up to three seats on a Board of 16 members; and
- retain the responsibility for the strategic direction of Leisure.

Adequate safeguards would need to be included within any leases negotiated to take account of any changes in the current tax relief position.

It is, therefore, RECOMMENDED that:

- (a) a Leisure Trust be formed on the basis set out in the report to come into operation in October 2003;

- (b) alternative management arrangements for the residual Commercial Services functions be funded from the savings generated by the formation of the Trust;
- (c) a new post of Strategic Leisure Officer be created and be funded from the savings generated by the formation of the Trust;
- (d) the set-up costs of approximately £70,000 be taken from the year one savings;
- (e) the working capital costs of £25,000 be taken from the year one and two savings;
- (f) all the residual savings generated by the formation of the Trust be ring fenced for reinvestment in the facilities managed by the Trust; and
- (g) adequate safeguards be included in any leases negotiated to protect the Council's interests in the event of the tax relief position changing in the future.

Councillor Ross Henley

