

WIRRAL COUNCIL

CABINET

19TH SEPTEMBER

SUBJECT:	<i>REVIEW OF LEISURE CENTRES AND GOLF COURSES</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>CLARE FISH: STRATEGIC DIRECTOR - FAMILIES AND WELLBEING</i>
RESPONSIBLE PORTFOLIO HOLDER:	<i>CLLR CHRIS MEADEN HEALTH & WELLBEING</i>
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

1.1 This report provides the main findings of the leisure review which the Council commissioned V4 Services to undertake. The scope of the review covered the following leisure facilities and services

- All Leisure Centres including the Tennis Centre and Beechwood Recreation Centre.
- West Kirby Marine Lake
- Sports Development Unit
- Beach Lifeguarding Service.
- Golf Courses – three 18 hole golf courses and one 9 hole golf course.

1.2 The report considers a number of options in relation to the future of the leisure provision in Wirral, provides a number of specific recommendations and details an implementation plan to enable the proposed changes to be delivered.

1.3 The Council will continue to operate its existing facilities during the transformation programme so that a longer term delivery model can be developed.

1.4 An investment led approach is proposed to support the delivery of the savings which will see £2 million pounds investment in West Kirby, Guinea Gap and Europa facilities over the next 2 years.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Council is facing unprecedented financial challenges which will require budget reductions of at least £109m over the next three years. Leisure Services is one of the eight Transformational Change projects which the Council is focusing on with the aim of ensuring:

- Leisure Services will be delivered through an efficient and effective service model in line with corporate priorities
- Leisure provision will operate on a considerably reduced financial envelope
- Leisure Services to be offered which meet the requirements of the Wirral community now and in the future in a sustainable and viable way

2.2 As part of the budget challenge process Members reviewed the existing leisure provision in Wirral and asked officers to consider the range of possible alternative delivery models including the continuing management of the service by the Council. The outcomes of the high level Options Appraisal are summarised in the main body of the report, and the details are included in Appendix A.

2.3 In the current financial climate in which competition for limited resources is increasing exponentially and where there is a growing demand for statutory services such as Social Care, it is essential for the Council to be able to measure the cost and impact of Leisure Services effectively. Many local authorities are moving towards reducing and in some instances removing the subsidy they provide for leisure facilities. Other authorities recognise that due to the condition of their buildings and levels of deprivation and health inequalities locally, they must continue to subsidise the operation of Leisure Centres and Swimming Pools, and associated services such as Sports development, Beach Lifeguarding and Golf courses.

Even when there is a commitment to continue to provide a Council subsidy, most local authorities have had to reduce this subsidy by around 30% over the past two years, and many foresee a subsidy reduction of up to 60% in total by the end of the current comprehensive spending review.

2.4 All local authorities have a best value duty and a fiduciary duty. The review was considered in the context of the key drivers for change in leisure services which are determined by the Council as follows:

- Service improvement – targeting services in line with priorities (health inequalities and protecting the vulnerable (Corporate Strategy)
- Protecting the vulnerable (Corporate strategy)

- Maintaining affordable prices – accessible to those who benefit most (with concessions targeted at those for whom price is a real barrier to participation)
- Operating the Services at an affordable subsidy / budget (viable and sustainable for the future)
- No planned closures in the foreseeable future

2.5 A considerable amount of time has been spent working with leisure service managers to gain a thorough understanding of the local issues as well as undertaking a comprehensive benchmarking exercise against national and industry standards. Comparisons have also been made with Councils who continue to operate Leisure Services “in-house” at lower subsidies to determine best practice.

3.0 KEY FINDINGS

3.1 SUBSIDY LEVELS

3.1.1 The current operating subsidies for the service are set out below; -

Leisure Centres / Marine Lake – £4.5 million

Sport Development - £215k (Council contribution)

Beach Lifeguarding - £360K

Golf Courses – £213k (2012/13)

3.1.2 This is the revenue cost after all income has been taken into account. However if costs associated with central recharges, capital repair and Golf subsidies are taken into account the overall cost subsidy is around £9.5 million.

3.1.3 All of the Leisure Centres and Swimming Pools operate with levels of subsidy far higher than those evidenced by the national benchmarks.

Benchmarking is not an exact science, but can provide a reasonable indication of comparative performance.

Europa Pools is the most significant outlier - operating at a £1.5m deficit which equates to 30% of the overall controllable revenue budget.

3.1.4 Operating costs across all Leisure Centres and swimming pool facilities are high and this can to a large degree be attributed to the very high costs of staffing. For instance the staff costs ratios are all in the bottom quartile with average staff costs as a percentage of income more than

double the benchmark mid-range average, costs per full time equivalent (FTE) are in the bottom quartile for all but the Tennis Centre. This is far higher than similar facilities operated by other local authorities.

- 3.1.5 Sickness absence is generally high averaging 12.5 days per full time equivalent employee per year and the cost of sickness absence has until recently been compounded by providing cover at enhanced rates and the fact that a very high proportion of the cost appears to be attributable to long term sickness absence.
- 3.1.6 Levels of income generated from fees and charges and from secondary income (catering and retail) are low. The majority of the income measures for both direct and secondary income for our facilities are in the bottom quarter when compared to a league table of similar facilities
- 3.1.7 The combination of high operating costs and low levels of income results in the need for a high Council subsidy. This is reflected in various benchmarks including the subsidy per visit and the proportion of operating costs recovered from income (cost recovery rate). In overall terms this means that facilities operated by Wirral Council require much higher public subsidy than similar facilities (even in areas with similar demographics).

3.2 INVIGOR8 PROGRAMME

- 3.2.1 The Invigor8 membership package incorporates a very generous concessionary pricing structure which allows use of facilities at peak times. Over 50% of memberships are at the Passport level (maximum regular concession) and this is suppressing the overall level of income and leading to high usage and congestion at peak times in many facilities. This is a significant issue because increasing capacity in the fitness facilities would ordinarily result in significant income growth.
- 3.2.2 The risk is that without changes and refinements to the membership benefits package and concessionary pricing policy any additional capacity created by investing to increase the scale of fitness facilities may then result in the additional capacity being filled with people who are benefitting from free usage (or at significantly reduced prices). If the fitness facilities are to be increased in size the business case will require significant growth in income from the additional capacity. The majority of full fee paying members wish to use fitness facilities at the peak times (midweek evenings) and to sell more full price memberships it follows that there will need to be space for these new members to use the equipment.

3.3 GOLF OPERATIONS

- 3.3.1 The total annual subsidy for the three 18 hole courses (Arrowe, Brackenwood, Hoylake) and the 9 hole course (Warren), based on 2012-13 figures, was £213k. This compares to a small reported surplus in previous years. The projected subsidy in 2013/14 is around £183k. The difference in performance is attributed mainly to loss of income due to weather conditions effecting roundage.
- 3.3.2 Investment is required in drainage improvements at Arrowe and there is potential for further youth development activity across all golf facilities. Securing income is an issue (especially at Brackenwood) to ensure users of the course do pay at all times and there is potential for closer partnership working between Hoylake and the neighbouring Royal Liverpool Golf Club. The 9 hole course at Warren is popular with beginners and some older players and has a strong junior club. Set on sand it has by far the best drainage of Council courses. Any future approach would need to take into account its entry level function and revenue protection aspects as it also has a road through it.

3.4 OVERALL PERFORMANCE

3.4.1 PERFORMANCE CULTURE

Financial reporting was found to be generally good in that records are maintained of various financial data sets including analysis of costs and income, and these are reported to the managers on a regular basis. However, there needs to be a much sharper focus by leisure managers and relevant staff on directing efforts to target ways of improving income and for driving down costs and therefore levels of Council subsidy.

This is related to a wider change in management culture that will need to involve a movement towards organising the service in ways which are far more responsive to the needs and demands of increasingly discerning customers. The service has to be far more innovative, responsive and entrepreneurial and this will only be possible when managers are liberated from some of the constraints in which they have to operate. For example there is an urgent need to review the current Golf operating arrangements. Coupled with the freedom to be responsive in terms of programming and marketing and the deployment of staff, managers also need to be far more accountable for the achievement of financial targets.

3.4.2 CATERING

At present, the only significant catering operations are at West Kirby and Europa Pools, both of which generate a loss equating to just under £70k per annum in total.

This is primarily due to staffing costs which at West Kirby are on average 35% higher in relation to turnover than other local authorities and nearly 50% higher than compared with commercial operators. The difference is starker at the Europa Pools, where the staffing costs are even higher.

Gross profit percentages are much lower than industry norms at both facilities and this is in part due to the higher cost of goods, poor portion control, low selling prices and the cost of wastage.

3.4.3 FUNDING FOR SPORTS DEVELOPMENT

There is an excellent programme of activities being offered directly by the Sports Development team and via partnerships. The activities are dependent on a number of staff funded by third parties including Sport England and Central Government initiatives. As in the rest of the UK, there is some uncertainty around whether this funding will continue to be available in the next few years.

3.4.4 BUILDINGS REQUIRE INVESTMENT

The review has highlighted a number of specific findings in relation to the quality, location and number of leisure facilities;

- The level of provision (number of facilities) is high, which means that all of the facilities are competing together in a relatively small marketplace.
- Strategically there is a lack of a long term Facilities Investment Strategy which is critical to enable the service to make investment (or disinvestment) decisions over the next 5 to 10 years
- The major facilities are generally in a 'tired but tidy' condition, and due to historical reasons, the facilities are not ideally located and in many cases the buildings are reaching the end of their economic life expectancy.

- The leisure facilities all have a “municipal look and feel”, which means that they are behind the times when compared to facilities offered in private sector clubs and facilities. This is increasingly important as members and customers are now much more discerning and expect to see facilities which are well branded, modern, brightly decorated and with modern well finished changing accommodation.
- There is a lack of income generating capacity to meet latent demand - mainly at West Kirby and Europa Pools where demand often outstrips supply at peak times in the fitness facilities.
- Reception areas are outdated and feature “counter to ceiling screens’ which are not conducive to customer engagement.

3.4.5 Beach Lifeguarding

The Beach Lifeguarding Service on Wirral operates during the Summer months covering the coastal area between New Brighton & West Kirby. This Council subsidy is around £360k per year mainly attributable to staffing and equipment costs. The Royal National Lifeboat Institute (RNLI) expressed an interest in operating the service and have identified a significant saving to the Council.

4.0 KEY CHALLENGES & OPPORTUNITIES

- 4.1 The current year savings plan (£429k), plus £1m savings target for 2014/15 and further £1m savings target for 2015/16 equate to reductions of over 40% of the net controllable budget (c£5.3m).
- 4.2 Savings of this magnitude are not possible without major transformation (service redesign).
- 4.3 Service redesign, to involve the introduction of flexible working is critical to future viability of the service. The alternatives to delivering savings via “in house” transformation and service redesign will have even greater impact on staff.
- 4.4 Capital investment is required – and prudent investment can deliver an excellent return (the main potential is at West Kirby Concourse, Guinea Gap, and Europa Pools).
- 4.5 There is good potential for income growth by enhancing Marketing and Communications (and budget investment) and from introducing more staff

training and Customer Relationship Management (CRM) solutions for membership sales and retention.

- 4.6 Catering losses must be eliminated immediately.
- 4.7 Transferring the operation of the Golf Courses into the same management structure as the Leisure Centres and Sports Development will result in closer alignment and a more integrated performance management approach. There is an opportunity to look at different delivery models for the management and maintenance of the Golf Courses. This may involve alternative approaches whilst ensuring through agreements that affordable pay and play Golf is always available to local people. An options appraisal will be required.

5.0 RELEVANT RISKS

- 5.1 The risks are that if the Council does not decide to implement transformational changes to the leisure and golf portfolio the major budget reductions attributed to the service over the next two years will not be delivered. If the savings are not delivered in this service area, then higher savings will have to be delivered in other service areas.
- 5.2 There is a very significant risk that if the facilities cannot be maintained to a good standard, usage and income will decline and the level of subsidy will increase.
- 5.3 There are risks of new competition entering the local market from low and mid prices health and fitness operators. Without investment coupled with improvements in management, marketing and service quality, the existing facilities will be unattractive and income will fall very significantly.
- 5.4 There is a risk that the Council cannot achieve a change in performance culture and introduce new and more flexible ways of working and that it will therefore not be possible for the Council to improve performance significantly and to reduce the levels of subsidy, which may force the Council to reconsider the alternatives to continued in house operation.
- 5.5 There is a risk that the available resources will not be sufficient to support the major transformational change (service redesign). This could lead to costly delays or even failure to deliver the necessary changes.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The National Procurement Strategy for local government sets out the full range of options that local authorities should consider in the context of strategic service reviews. The broadest range of options are set out in Appendix B. Whilst the list is comprehensive it is slightly misleading as it

describes a number of procurement variants as options e.g. framework agreement. The aim of this stage of the review was to identify the widest range of alternatives to continued in-house service delivery.

6.2 The following table provides an overview of the relative benefits of the main options available to Wirral Council.

Broad option	Advantages	Disadvantages
A - Continued in-house – with transformation	<ul style="list-style-type: none"> • Service continuity • Significant Savings from the alternatives will be higher if service is optimised first (12 – 18 month programme) • If the transformation of the in-house service is effective, the service may be affordable and viable without the need to outsource or establish a partnership (options B and C) 	<ul style="list-style-type: none"> • Changes will be challenging and contentious • Savings will take longer to deliver • Managers will need support • Will require investment led approach • Trading risk remains with Council
B - Outsource	<ul style="list-style-type: none"> • Significant savings potential (but would be offset by the operator charge) • Substantial risk transfer to operator • Potential for inward capital investment • Cost reduction and transformation could be delivered more quickly 	<ul style="list-style-type: none"> • Could be highly controversial • Best Value Outcome only available after the optimisation is complete • Loss of day to day control / public perception • Third party interest (tenant has rights – asset maintenance pressures etc)

Broad option	Advantages	Disadvantages
C- Partnership (new Charitable Trust / NPDO established in Wirral ; possibly with operating partner – an existing “Trust”)	<ul style="list-style-type: none"> • Savings from NNDR - c£300k pa • VAT net contribution - c£180k pa • A degree of risk transfer • Operating partner will introduce expertise and head office functions • Significant savings potential • May introduce capital investment 	<ul style="list-style-type: none"> • Best Value Outcome only available after the optimisation is complete

6.3 Many local authorities have found that they can operate their Leisure Centres very efficiently and effectively in-house and in some cases they provide very little subsidy. Even in deprived areas in which a level of subsidy is unavoidable, some Councils have “transformed” their in-house operation and can now operate leisure facilities at closer to the level of subsidy offered by local trusts or even the specialist operators (private sector). They can achieve this despite the advantages that the other types of provider can have over any Council run operation (for example, the ability to benefit from Vat concessions, NNDR relief, and lower cost pensions and rates of pay).

7.0 KEY RECOMMENDATIONS

At this stage, the recommendation is that the Council should continue to operate the facilities and services in-house for 12 – 18 months, in order to deliver a transformation programme (delivering savings and implementing a service redesign). A longer term decision can be taken after the transformation is complete. In this way the Council can ensure that any longer term delivery models will deliver further savings and improvements building from a lower cost base. If the transformation and performance improvement is delivered successfully, the Council may decide that the reduced level of subsidy is affordable and that continued in-house delivery is therefore viable.

A proposed delivery plan to enable the work to be undertaken to ensure the delivery of the transformation programme and of the required savings is shown at Appendix C.

7.1 The following recommendations arise from the detailed review which V4 services have carried out during May to July 2013.

7.1.1 Over the next 12-18 months deliver a transformation programme (delivering savings and implementing a service redesign). A longer term decision can then be taken after the transformation is complete

7.1.2 Develop an “investment led approach” to delivering the requisite savings.

This will involve generating initial savings to fund an investment programme that will in turn increase revenues and further reduce the net deficit (subsidy).

7.1.3 Reduce the cost of staffing by c£500k per annum from 2014/15, by a combination of;

- a) The introduction to flexible working (this may include measures such as introducing more flexible job roles, introducing annualised hours)
- b) Reduce the cost of sickness absence as part of a corporate drive to reduce sickness absence costs and days lost through sickness
- c) Reduce “back office” costs within the leisure service management structure

7.1.4 Review the concessionary pricing scheme alongside improvements in the Invigor8 benefits package and marketing campaign.

This may involve a re-focusing of the concessionary scheme to ensure that the scheme benefits those for whom price is a genuine barrier to participation – in line with the Councils general policy of supporting those who are most vulnerable.

7.1.5 Review the Invigor8 Passport level scheme to consider limiting the free use concession to off peak times and / or to specified facilities and activities.

7.1.6 Increase the investment in the marketing of the (revised) Invigor8 scheme by doubling the marketing budget from c£32k to closer to the industry norm (equates to at least £65k per annum based on turnover).

- 7.1.7 Introduce a stronger performance management regime with far greater accountability for managers.
- 7.1.8 Target the facilities that are performing at the lowest levels by introducing a “special project team” that will need to involve officers from HR, Property, and Finance - working with Service Managers who will receive support at the highest levels.
- 7.1.9 Review the programming policy and opening times to reflect customer demand rather than operational expediencies (including reviewing the arrangements for schools and club usage).
- 7.1.10 Progress with initiatives to transfer responsibility for operating services to other organisations when the business case is strong.
- 7.1.11 Eliminate losses from catering operations by October 2013.
- 7.1.12 Introduce a fair and effective system of charging for swimming club usage and review the potential for increasing income from the swimming lesson programme.
- 7.1.13 Introduce the principle of full cost recovery for facilities, services and activities provided for third parties. This will involve establishing the true cost of providing facilities and services and then charging other services and organisations a fair price for their usage.
- 7.1.14 Develop the work that has begun on the closer integration of the Golf course management within the Leisure portfolio.
- 7.1.15 Develop the work that has already begun to increase usage and generate income from usage by Adult Social Care partners.
- 7.1.16 Investigate the degree of dependence of third party funding on the Sports Development and Physical Activity service and determine how any future shortfalls can be funded or how savings can be achieved.
- 7.1.17 Develop the savings plan and the associated business cases for capital investment – with a view to accelerating the delivery of these schemes to realize the benefits from 2014/15.

7.1.18 Develop an overall Facilities Strategy and a capital investment programme with individual business cases for each investment proposal.

7.1.19 Provide assistance and support to clubs and voluntary / not for profit sector organisations to build the confidence and capacity for these organisations to consider accepting responsibility for the management of community based facilities such as the Beechwood Recreation Centre under a Community Asset Transfer initiative.

8.0 CONSULTATION

8.1 On-going consultation has involved managers who have provided considerable support to the review .Consultation has been held with the Leader, Deputy Leaders and specifically with the Cabinet Member for Leisure Services and with key officers. Ongoing consultation will be part of the delivery plan programme which will involve staff, Trade Unions and other key stakeholders.

9.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

9.1 There are no detrimental impacts on voluntary, community and faith groups. The report does not make any recommendations which would be incompatible with the Voluntary Sector Compact.

10.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

10.1 A table outlining how the required savings will be delivered through the transformation programme is shown on the next page which also identifies how the required investment of £1m capital into West Kirby and £1m investment in Europa Pools / Guinea Gap will be used to drive up income and contribute to the overall subsidy reduction. More detailed plans will have to be developed in the next phase of work, subject to approval for the general approach. Figures for capital schemes are indicative only and intended for illustration of the “investment led savings approach”.

Savings / Investment Overview

Component	2013/14	2014/15	2015/16
Revenue Savings target	Savings target of 429k agreed	£1m	£1m
Savings from Service Delivery changes	Catering loss recovery with half year elimination of	Further eradication of catering loss £25K	Golf (TBC)

Component	2013/14	2014/15	2015/16
	losses = c.£40k saving		
Savings from flexible working, and staff / management resourcing		£500k	£500k (efficiencies and reductions to target operating model levels)
Income growth to reduce levels of subsidy	To be identified following review of Invigor8 scheme within a new "Target Operating Model"	£500k (resulting from investment and changes to membership / CRM / Sales and Retention – and change to concessionary pricing)	£500k (efficiencies and reductions to target operating model levels)
Savings from alternative service delivery	No reliance on savings in current year	Beach Lifeguard Service provided by an alternative provider combined with staff cost reductions , together delivering £100k saving	
Investment Proposals			
Investment (Capital) – subject to individual Business case	Approval for (c .£1m (West Kirby Fitness and Café reconfigurations)	Delivery c.£1m investment scheme (West Kirby Fitness and Café reconfigurations)	Delivery of c.£1m investment scheme (Europa Pools Ground Floor redevelopment & Guinea Gap)
Investment Revenue		£32K in the marketing budget (Ongoing)	

- 10.2 In order to deliver a transformation programme of this scale over the next eighteen months to two years specific resources will be required including HR, Legal, Finance and Asset Management.

11.0 LEGAL IMPLICATIONS

- 11.1 The Council has a major role to play in contributing to the promotion and delivery of increased participation in sport and physical activity. However, there is no statutory requirement for the Council to provide any of the facilities or services within the scope of this review. If the Council wish to provide these services, it has extensive powers to do so.
- 11.2 Each of the delivery models will have differing legal implications which will need to be explored in tandem with the details on the models.
- 11.3 Progress on task 10 identified in Appendix C (progress with initiatives to transfer responsibility for operating services to other organisations when the business case is strong) will take place in compliance with contract procedure rules and any applicable procurement rules.

12.0 EQUALITIES IMPLICATIONS

- 12.1 Yes and impact review is attached –

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/technical-services-0>

13.0 CARBON REDUCTION IMPLICATIONS

- 13.1 (There are no carbon reduction implications) – All though any capital investment agreed would seek to reduce any Carbon emissions.

14.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 14.1 Planning permission may be required for some of the development proposals, but necessary consents and approvals would be secured as part of the further work on these initiatives

15.0 RECOMMENDATION/S

- 15.1 Cabinet is asked to agree to the recommendations as listed in Section 7 of the report, which is that the Council should continue to operate the facilities and services “in-house” for 12 – 18 months, in order to deliver a transformation programme (delivering savings and implementing a service redesign). A longer term decision can be taken after the transformation is

complete. In this way the Council can ensure that any longer term delivery models will deliver further savings and improvements building from a lower cost base.

- 15.2 Cabinet are also requested to agree to the actions identified in the delivery plan being delegated for authorisation by the Cabinet Member for Health & Wellbeing where appropriate and that a further report regarding a review of the Invigor8 programme be brought back to Cabinet in November 2013.

16.0 REASON/S FOR RECOMMENDATION/S

- 16.1 The recommendations are being made as they will enable the Council to meet its aim of ensuring

- Leisure Services will be delivered through an efficient and effective service model in line with corporate priorities
- Leisure provision will operate on a considerably reduced financial envelope
- Leisure Services to be offered which meet the requirements of the Wirral community now and in the future in a sustainable and viable way

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Appendix A – Options Appraisal - Future Delivery Models

The long list can be reduced into three main options A – C, as below:

Table 1 – Broad range of options in the Wirral

Option	Advantages	Constraints and Risks	Variant	Viability
<p>A – Continued in-house (operated by Council employees)</p>	<p>Wirral Council retain direct control of the services and remain unencumbered by the constraints of third party interests</p> <p>Allows a period of time deliver transformation , with service continuity</p>	<p>Unable to achieve savings that accrue from relief on NNDR and Vat concessions, plus limited opportunity to reduce employment costs</p>	<p>Some facilities and services can be outsourced , some retained in-house and others transferred to community groups in the long term</p>	<p>Not viable at the current level of deficit / subsidy.</p> <p>Savings of over £2m required by end of 2015/16</p>
<p>B – Tender the services</p> <p><i>(this could deliver outcomes b) – c) in the long-list above)</i></p> <ul style="list-style-type: none"> ■ Retendering as a single package. ■ Retendering as a number of separate packages either to a single provider or through a more 'mixed economy' approach – perhaps with Golf separated from the rest of 	<p>Opportunity exposed to competition, and "safe" in terms of EU compliance), and Council able to demonstrate Best Value outcome has been achieved.</p>	<p>Costly (time and resource), and unlikely to produce the best value outcome at this point in time due to various factors , including;</p> <ul style="list-style-type: none"> ■ Likely requirement for a single service provider to provide a "joined up" service ■ Unlikely to deliver the best possible financial outcome when the cost of subsidy remains high (pre transformation) ■ Economies of scale need to apply ■ Council would be 	<p>Some of the services could be taken out of scope and re-tendered by the Council separately (Golf etc) , or retained in-house (neighbourhood facilities and Sports Development etc)</p>	<p>The tender returns would involve higher costs to the Council than may be possible in the longer term – after the delivery of the transformation programme</p> <p>A viable option, but it would be advisable to commence before the changes in EU procurement regulation</p>

Option	Advantages	Constraints and Risks	Variant	Viability
the portfolio		entering into long term arrangements at a time when funding is uncertain in the longer term		(2014)
<p>C – Establishment of a new NPDO / Trust for the Wirral involving a Partnership with an existing NPDO / Trust</p> <p>Engaging via procurement , a ‘preferred provider’ built around a new commissioning framework</p>	<p>Builds upon a well-developed partnership model applied in other authorities</p> <p>Maintains the benefits of integrated service delivery</p> <p>Council and NPDO partner can agree changes to the commissioning framework to address deficiencies in the current arrangements</p> <p>Existing NPDO partner would introduce expertise and economies of scale and could share back office costs</p> <p>There would be significant risk transfer (trading)</p>	<p>Costly (time and resource), and unlikely to produce the best value outcome at this point in time due to various factors , including;</p> <ul style="list-style-type: none"> █ Likely requirement for a single service provider to provide a “joined up” service █ Unlikely to deliver the best possible financial outcome when the cost of subsidy remains high (pre-transformation) █ Economies of scale need to apply <p>Council would be entering into long term arrangements at a time when funding is uncertain in the longer term</p>	<p>Some of the services could be taken out of scope and re-tendered by the Council separately (Golf etc) , or retained in-house (neighbourhood facilities and Sports Development etc)</p>	<p>The tender returns would involve higher costs to the Council than may be possible in the longer term – after the delivery of the transformation programme</p> <p>A viable option, but it would be advisable to complete before the changes in EU procurement regulation (2014)</p>

Of the three options, only A and C as being economically viable and deliverable.

The following factors will determine which is “the best fit option”;

- a) The Council’s approach to procurement “risk” – whether or not it feels obliged by regulation to expose the services (in whole or part) to full competition in an open and competitive tendering event (the position will change in 2014)
- b) The level of confidence the Council has that an partnership with an existing NPDO would offer Best Value – in terms of cost and performance and the ability to deliver continuous improvement over an extended term
- c) The view on whether the services should be fully integrated, with a single service provider offering a broad range of services – including Golf and Sports Development
- d) The level of confidence the Council has that the a specialist contractor could deliver capital investment into the facilities
- e) How the Council intends to separate the commissioning/strategic development role from the delivery function. For example, does it plan to have a culture and leisure ‘client’ that can advise the Council on strategic issues as they emerge, that can translate on-going Council requirements into a quantified set of outcome targets and can work with the Trust to develop a performance management framework.

Appendix B – Management Options Appraisal

The National Procurement Strategy for local government sets out the full range of options that local authorities should consider in the context of strategic service reviews (what it describes as the “make or buy” decision) (ODPM, 2003(b)). The broadest range of options is set out as follows:

- a) **In-house operation**
- b) **Private sector operator/s (procured by tender)**
- c) **Private sector operator/s offering “Hybrid NPDO” arrangements (procured by tender)**
- d) **Other existing Charitable NPDO’s (Trust) – such as Greenwich Leisure Limited (procured by tender)**
- e) **Locally established charitable “Trust”**
- f) **Community Asset Transfer**
 - Public sector consortium
 - Tactical contracts (multiple)
 - Local authority company
 - Joint venture company
 - Partnering contract
 - Framework agreement
 - Design, build, finance and operate (DBFO) – including Public Finance Initiative (PFI)
 - Closure or disposal
 - Mixture of the above

The list can be misleading because it combines various forms of partnership / contract , and also muddles up a range of options which are better described as procurement “variants” .

Appendix C – Outline Delivery Plan

Task Ref	Recommendation	Interdependencies	Actions	Timescales and resources
1.	Continue to operate the facilities and services “in-house” for a period of 12 -18 months in order to deliver a transformation programme (delivering savings and implementing a service redesign). A longer term decision can be taken after the transformation is complete. In this way the Council can ensure that any longer term delivery models will deliver further savings and improvements – building from a lower cost base.	<p>The Transformation delivery “machinery” for all of the tasks</p> <p>Provision of transitional support to the management team to enable the savings and investment plans to be delivered effectively and quickly</p>	<ul style="list-style-type: none"> • Complete a Transformation Programme Plan • Initiate a Project Team • Complete a PID • Allocate support resources • Identify risks to delivery 	<p>Timeline End of August 2013</p> <p>Internal Support resources will be required from Finance, HR, Property, Performance Management Team, and service management</p> <p>External Advisors required to support the Project Team as part of the Transformation programme</p>
2.	Investment led approach to delivering requisite savings (further £2m between 2014/15 and 2015/16). This will involve generating initial savings to fund an investment programme that will increase revenues and reduce the net deficit (subsidy).	Delivery of task 3	<p>Initial savings (500k by Q4 2013/2014) will need to be delivered to prime the investment plan</p> <p>These savings will need to derive from the introduction of the flexible working week and service re-design</p>	<p>Timeline Incorporated into task 1 (above) – by end of August 2013</p> <p>Internal Support resources will be required from Finance, HR, Property, Performance Management Team, and service management</p>
3.	Reduce the cost of	Without these initial	Combination of	Timeline

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	staffing by c£500,000 per annum from 2014/15	savings it will not be possible to implement the savings led approach or to deliver the necessary capital investment schemes – task 16	<ul style="list-style-type: none"> • Flexible working • Revised job descriptions – to introduce flexible working practices • Reduction in cost of sickness absence (corporate drive to reduce long term sickness absence costs and days lost through sickness). • Reduced “back office” costs 	Commence corporate engagement with TU's by September
4.	Review concessionary pricing scheme alongside improvements in the Invigor8 benefits package and marketing campaign.	<p>The review needs to be delivered in concert with changes to the Invigor8 benefits package and the increase in marketing investment</p> <p>In this way, the changes can be communicated positively – demonstrating that the Council are focusing their limited resources on those for whom price is a genuine barrier to participation</p>	This will involve a re-focusing of the concessionary scheme. The overall aim should be to target concessions “to those for whom price is a genuine barrier to participation” – in line with the Councils general policy of supporting those who are most vulnerable.	Review to be completed by the end of October
5.	Review of the Passport scheme within Invigor8	Linked to task 4	Consider limiting the free use concession to off peak times and / or to specified facilities and activities.	Timescales With a view to providing a cabinet report in November 2013
6.	Introducing a	Reliance upon this	Closer	Immediate

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	stronger performance management regime	deliverable to achieve the Transformation Plan in general	accountability for managers - who need to take ownership for new budgets and performance targets	commencement
7.	Target the facilities that are performing at the lowest levels (Europa Pools)	Immediate action required	Introduce a "special project team" that will need to involve HR, Property, Finance and Corporate Improvement.	Timescales Immediate action plan
8.	Increase the investment in the marketing of the (revised) Invigor8 scheme	Linked to tasks 5 and 4	Doubling the marketing budget from c£32k to closer to the industry norm (equates to at least £65k per annum based on turnover).	Timescales With a view to implementing package of changes on 1 st October 2013 (half year)
9.	Review the programming policy and opening times	Linked to tasks 4, 5 and 8 (may have impacts on task 3)	To reflect customer demand rather than operational expediencies (including revision of the policy of exclusive use by schools at some pools)	Timescales With a view to implementing package of changes on 1 st October 2013 (half year)
10.	Progress with initiatives to transfer responsibility for operating services to other organisations when the business case is strong		<ul style="list-style-type: none"> • Progress with negotiations • Develop the Councils Community Asset Transfer Policies (CAT) and provide capacity to help to build confidence and capacity within existing third sector organisations 	Timescales With a view to implementing package of changes on 1 st April 2014

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11.	Eliminate losses from catering operations		<ul style="list-style-type: none"> • Immediate plan to eliminate losses of c£85k at Europa Pools and West Kirby by end of 2013/14 • Reduce product range • Introduce tighter controls on margin management • Reduce wastage 	Timescales Eliminate losses by 1 st October 2013
12.	Address the income losses generated from the new system of charging for swimming club usage and review the potential for increasing income from the swimming lesson programme		Specific business review for swimming clubs pricing and swimming lesson pricing and programming	Timescales Implement new controls and policies by 1 st October 2013
13.	Introduce the principal of “full cost recovery” for activities provided for third parties		Identify and review all existing agreements that involve arrangement for usage – including schools swimming, swimming club usage, adult social care usage and all group bookings and third party agreements or hire	Timescales Implement new controls and policies by 1 st October 2013
14.	Develop the work that has begun on the closer integration of the Golf course management within the Leisure portfolio.		Transfer the management of the Golf Courses (and possibly the pitch bookings service to the Leisure portfolio to allow the transformation focus to apply and	Timescales Transfer management responsibilities by end of August 2013 (coincide with current service head

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			to maximize the synergies with Sports Development and Invigor8	departure). Transition / handover to commence immediately
15.	Develop the work that has already begun to increase usage and generate income form usage by Adult Social Care partners.		Accelerate the work being carried out to examine daytime usage by ASC	Timescales Review progress and develop business case by end of September 2013
16.	Develop the business cases for capital investment – with a view to accelerating the delivery of these schemes to realize the benefits from 2014/15	Dependent upon delivering initial savings – mainly task 3	Individual business cases to be developed for West Kirby, Europa Pool and Guinea Gap – demonstrating return of investment from each scheme. Needs to include capital cost estimates and an element of design work (preliminary)	Timescales Business Cases and preliminary design and cost estimates by 1st October 2013

REFERENCE MATERIAL

(Include background information referred to or relied upon when drafting this report, together with details of where the information can be found. There is no need to refer to publicly available material: e.g. Acts of Parliament or Government guidance.)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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