

REPORT OF THE LEAD MEMBER FOR ARTS AND LEISURE

To the CABINET

Tuesday, 19 September 2000

LEISURE TRUST

EXECUTIVE SUMMARY:

This report informs members of the work that has been undertaken and seeks agreement to the next steps in the process.

RECOMMENDATIONS:

1. That the consultant's report be noted.
2. That a further consultancy be commissioned to:-
 - a) advise on the commercial potential of the physical assets and development opportunities regarding the Non-Profit Distributing Organisation (NPDO)
 - b) recommend the most appropriate NPDO model taking into account the City Council's particular circumstances.
3. That Cabinet be requested to approve the above course of action and approve the waiving of Standing Order 60 in order for 5 consultancy firms to be invited to submit tenders for the work:-
 - Deloitte Touche
 - KPMG
 - Price Waterhouse Coopers
 - Strategic Leisure
 - Leisure Partners
4. That Cabinet be kept informed of the potential future costs that will be incurred in respect of legal, financial and building condition survey advice and the potential non-achievement of part of the agreed budget savings in 2001/2002.

FURTHER DETAILS CAN BE OBTAINED FROM:

Edwina Grant, Deputy Director of Education and Leisure
0161 837 1702

1. Background

- 1.1 As part of the City Council's budget strategy, it was agreed to determine whether the establishment of a Leisure Trust would be in the interests of the Local Community, staff and the City Council. To this end, an independent consultant, John Steward was engaged to produce a report that would assess the implications in moving towards the establishing of a Trust to operate the City's Recreation Centres and Swimming Pools. The report is attached at Appendix A.

2. Details

2.1 Leisure Trust Core Group and Steering Group

A group of senior officers has been meeting weekly to undertake the preliminary work in conjunction with the consultant. Comprehensive baseline information is now available in respect of each facility and financial information such as historical maintenance spending has been compiled. A Steering Group with a broader membership including staff and trade union representatives has also met twice chaired by the Lead Member for Arts and Leisure.

2.2 Consultation

A number of staff briefing sessions has taken place and a newsletter distributed to City Leisure staff. The wider Directorate staff has been updated via an article in the Directorate Newsletter "SEAL". Trade Union representatives have attended a meeting of the Core Group and been given the opportunity to raise any issues of concern. A presentation has also been given to elected members and Director's Team, updating on progress.

2.3 Consultant's Report

The report recommends the following:-

- That the City Council agrees, in principle, to establish an NPDO to operate the 10 leisure centres as set out in this report.
- That a consultant is commissioned to undertake the detailed work necessary to fully evaluate and model the options for the establishment of an NPDO in accordance with the brief set out at Appendix E of the first consultancy report. The Head of Law and Administration is further considering the brief at Appendix E and, therefore, an amended version will be tabled on the day of the meeting. The cost of the evaluation consultancy will be in the region of £15,000.
- That an independent commercial study is undertaken to evaluate the potential of Leisure Centre property assets and development opportunities and constraints. Also, to assess the option and property ownership including the proposals for Ordsall Leisure Centre. Again the cost will be in the region of £15,000.

Recommendations 2 and 3 of the Consultant's report imply that two further consultancy reports are required. It is recommended that these two pieces of work should be brought together into a single further consultancy rather than two separate ones. The consultancy firms identified should each be able to provide an informed view of both the most appropriate NPDO model for the City Council to

adopt (should it decide to proceed) and the developmental opportunities relating to the property assets. The adoption of a single consultancy would minimise time delays and potentially prove more cost-effective.

In the course of the preliminary work, 5 consultancy firms, all with extensive experience in this type of work, have been identified. It is proposed all 5 be invited to submit tenders for the further consultancy work.

The companies are:

- Deloitte Touche
- KPMG
- Price Waterhouse Coopers
- Strategic Leisure
- Leisure Partners

It is recommended that Cabinet be requested to waive Standing Order 60 in this regard and that the above firms be invited to submit tenders for the further consultancy work.

2.4 Financial Implication

The Consultant's report identifies an estimated cost of approximately £30,000 for the further consultancy work. It is considered essential that this work is undertaken in order to obtain an independent view of the most appropriate NPDO model to adopt, give the City Council's particular circumstances. Should a decision be made to move towards an NPDO following the completion of the second consultancy, substantial costs in relation to legal and financial advice and detailed condition surveys of the properties are likely to be incurred. These could amount to between £100,000 and £200,000 and funding will need to be identified to cover this expenditure.

3. The Next Steps

The way forward is illustrated in the Indicative Timetable prepared by the consultant (Appendix B). This anticipates that the City Council will be in a position to make a decision on the establishing of a NPDO by the end of March 2001, with the NPDO being established by mid September 2001 (assuming the decision to proceed were taken).

If this timetable were adhered to, approximately half of the assumed revenue budget of £350,000 for 2001/2002 i.e. £170,000 would not be achieved. In addition, there will be costs as identified in sections 2.3 and 2.4. Regarding the two further consultancies in 2.3, the costs in the region of £30,000 could be found from capitalisation or Invest to Save. The costs in section 2.4 of legal and financial advice of up to £200,000 would need to be identified by way of a further report to Cabinet.

4. Recommendations

These are given in the Executive Summary fronting this report.