

Executive

Value for Money Review of Recreation and Sport

6 December 2010

Report of the Strategic Director Environment & Community

PURPOSE OF REPORT

To consider the findings of the Value for Money (VFM) Review report and the recommendations arising from the report.

This report is public

Recommendations

The Executive is recommended:

- (1) To endorse the overall conclusion of the review that the service is below average cost for the operation of its leisure centres, according to national benchmarking. It has good performance in terms of its sports development assessment, and is high quality in terms of good and improving levels of customer satisfaction.
- (2) To agree that improvements in value for money be sought and approve the following recommendations;
 - a. Further grants to village halls be withdrawn from 2011/12, saving £39,000 per annum
 - b. Reductions be made in the service establishment through reduced hours and the deletion of a vacant project officer post, saving £56,817 per annum
 - c. Additional savings of £33,077 be progressed through reductions to the Leisure Development and Sports Development budgets, as set out in paragraph 2.11
- (3) To note that the target savings of £80,000 from the joint use agreements at Coopers School and North Oxfordshire Academy are currently part of the Council's scrutiny activities and subject to negotiation with the management of the two education sites;
- (4) To agree to progress negotiations with the sports centres contract operator to achieve savings through changes to the contract specification and through income benchmarking.
- (5) To request a capital bid as part of 2011/12 budget setting for electricity generation at leisure centres outlining its costs and likely savings.

Executive Summary

Introduction

- 1.1 This review forms part of the Value for Money programme of reviews for 2010/11, which aims to cover all services within the council and improve the value of services offered to residents of Cherwell.
- 1.2 Recreation and Sport was selected for a 'health check' review during 2010/11 along with a number of other services as these had not previously been covered by the VFM programme but account for a high level of expenditure. The aim of such reviews is to quickly identify potential savings using information that is readily available.
- 1.3 As part of recent planning for the Medium Term Financial Strategy arising from the Comprehensive Spending Review a number of savings options had been identified for the service which amounted to £175,000. An objective of the VFM review was to examine the feasibility of these and, where possible, identify further efficiencies that would allow for greater flexibility in the council achieving its medium term savings targets.
- 1.4 The overall conclusion of the review is that the service is below average cost for the operation of its leisure centres, according to national benchmarking. It has good performance in terms of its sports development assessment, and is high quality in terms of good and improving levels of customer satisfaction.
- 1.5 The review has identified savings to meet the £175,000 target along with an additional £33,894 of efficiencies.
- 1.6 Although impact on the public and customers has been minimised wherever possible, there will be some reduction in service delivery as a result of these savings.

Proposals

- 1.7 To adopt the recommendations of the Review in full

Conclusion

- 1.8 Significant reductions to expenditure on Recreation and Sport are possible and these will help reduce the Council's cost base and contribute towards its Medium Term Financial Strategy targets.

Background Information

- 2.1 This report sets out the findings of the Recreation and Sport VFM Review with recommendations to achieve its Medium Term Financial Strategy savings target of £175,000 and further savings of £33,077.
- 2.2 The agreed scope of the review included the current leisure centres contract, Woodgreen pool, the joint use agreements in place at Cooper School, Bicester and North Oxfordshire Academy, Banbury, sports development and leisure development.
- 2.3 The VFM review has used a range of evidence to inform its conclusions, including the national benchmarking service for sports and leisure centres to which Cherwell subscribes, and which is used as an integral tool for monitoring its contract with the operators, Cherwell Leisure Ltd/Parkwood Community Leisure (CLL/PCL).

VFM Review Findings

- 2.4 Appendix 1 contains the Executive Summary of the VFM review. Key findings from the review can be summarised as follows;
 - Net expenditure of the service is £2.1m which includes £0.75m of income from partnership grants, joint use agreements and course fees. Net expenditure has reduced by £791,000 (-27%) since 2008/08, largely through reductions in the cost of operating the refurbished sports centres, but also through reductions in the staff establishment.
 - 2010/11 budget comparisons with CIPFA family comparators show that for Recreation and Sport Cherwell is the 9th highest spending authority out of 14, with costs 5.1% (£77,812) lower than the CIPFA family average, and 18.4% higher than the lowest quartile spend (+£226,742).
 - For all three Cherwell leisure centres, independent national benchmarking identifies them as performing in the best (lowest) quartile for indicators relating to the level of public subsidy, the only exception being a 2nd quartile performance for Spiceball for the level of public subsidy per resident. This demonstrates excellent value for money for Cherwell residents from the Parkwood contract.
 - Public satisfaction with leisure facilities increased in 2010/11 from 68% to 71%, and the range of leisure facilities available is now ranked as number one in drivers of overall satisfaction with the council. Agreement that local leisure facilities provide value for money increased significantly from 43% to 50%
 - The 2011 budget consultation indicated that residents would be happy to see less money spent on recreation and sport, which is likely to be a reflection of recent investment. The scale of reduction indicated was in excess of the MTFS target saving of £175,000
 - The council's Quest assessment for sports development improved in 2010 to 85% (categorised as "excellent") from its previous level of 72%

- 2.5 As the leisure centres contract is the largest single area of spend within the service it was examined in detail to identify any scope to vary its specification in order to achieve cost savings to the council which would have a minimal impact on service provision. Initial discussions with CLL/PCL have been fruitful, and these will progress in the coming months to clarify the scope and savings potential of the options identified but could be in the order of £25,000.
- 2.6 A key factor in the realisation of savings is the nature of the contract with regard to energy consumption and cost, with the operator meeting the costs/reductions in consumption changes and the council meeting the cost/reductions in energy rates. The contractual requirement is for the council to pay the difference in energy cost increases when consumption crosses a certain threshold, and this has occurred during 2010/11 leading to an additional £68,000 in payment required from the council. These will be offset to some degree by the savings from contract specification changes.
- 2.7 In addition, parallel discussions with the operators have taken place with regard to savings in energy consumption as part of the Council's Use of Natural Resources improvement project. These discussions have identified a spend-to-save opportunity by investing in energy generation through photovoltaic panels mounted on leisure centres. A capital bid is currently under development for consideration by Executive at a later date. The business case for this investment is likely to show an investment of around £700,000 will generate an annual return of £80,000 per annum for the council.
- 2.8 A further opportunity for savings through the leisure centres contract is the income benchmarking review, where the Council and operator share in any upturn in profit above a threshold. The operator has approached the council with a proposal to 'buy out' the 5-year review, and negotiations on this are proceeding.
- 2.9 Negotiations are also in hand with regard to the two joint use agreements at Cooper School and the North Oxfordshire Academy. A combined savings target of £80,000 is being progressed by exploring a number of options with the two schools. Initial discussions have been positive but a final agreement is not yet in place. The proposed target is considered a challenge by the service, but best efforts will be made to realise as much of the saving as possible. This proposal is also subject to scrutiny.
- 2.10 Other MTFS savings proposals explored by the Review were;
- The withdrawal of further grants to village halls (£39,000): The review concluded that parish councils are able to raise necessary funding for such facilities through increased precepts.
 - The deletion of a project officer post (£30,190): This post is currently vacant and has already been progressed as a saving. The loss of this post will result in reduced capacity within the service.
 - The reduction of staff hours (£26,627): this relates to the permanent reduction of surplus hours, which have not been used in recent years, so will have a minimal impact
- 2.11 Individual cost centres within Leisure Development and Sports Development have been explored as part of the review to identify additional savings

opportunities. A total of £33,077 in savings were identified as follows;

- Discontinuing membership of the Oxfordshire Playing Fields Association (£4,100) which has limited benefit to the council
- Discontinuing the cardiac referral arrangement with the leisure centre operators and refocusing this on alternative options such as health walks (£4,700)
- Reducing a miscellaneous costs budget used to fund expenditure for areas covered by other cost centres (e.g. training) but also ad-hoc projects (£15,000)
- Increasing income from the Holidays scheme through increased fees, as an alternative to reducing the scope of the scheme (£5,000)
- Reducing the grants and bursaries budget from the School Links programme (£4,277)

2.12 Although impact on the public and customers has been minimised wherever possible, there will be some reduction in service delivery as a result of these savings.

Implications

Financial:	<p>The review has identified savings totalling £208,894 against a target of £175,000. Sufficient savings have been identified to meet the council MTFs requirement, with further savings providing flexibility should other aspects of the Strategy not be deliverable.</p> <p>Comments checked by Karen Curtin, Head of Finance 01295 221551</p>
Legal:	<p>Changes to contractual arrangements with the leisure centre operators are subject to negotiation. Provisions for income and utility benchmarking are part of these arrangements and changes will need to be through mutual agreement.</p> <p>Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686</p>
Risk Management:	<p>The proposed level of savings present no risk to service delivery</p> <p>Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566</p>
Data Quality	<p>Data for cost comparison has been obtained through 2010/11 RA forms of comparable CIPFA family authorities, which has been subject to extensive checking with these authorities. Financial data has been prepared by the relevant service accountant</p> <p>Comments checked by Neil Lawrence, Improvement Project Manager 01295 221801</p>

Wards Affected

All

Corporate Plan Themes

An Accessible, Value for Money Council

Executive Portfolio

Councillor George Reynolds
Portfolio Holder for Environment, Recreation and Health

Document Information

Appendix No	Title
Appendix 1	Recreation and Sport VFM: Executive Summary
Background Papers	
None	
Report Author	Neil Lawrence, Improvement Project Manager
Contact Information	01295 221801 neil.lawrence@cherwell-dc.gov.uk