

HEALTH & LEISURE CENTRES PROCUREMENT REVIEW 2007

1. BACKGROUND

- 1.1 As members will know in the last year the Leisure Service has undertaken a fundamental review of how it operates. This review was part of the Council's service planning process which advises that all services should do an in depth assessment every four years.
- 1.2 This is to ensure that the Council is delivering services which;
- Are efficient and effective.
 - Represent value for money.
 - Provide the right level of quality.
 - Contribute to community life.
 - Support corporate Priorities
- 1.3 The first element of the review which has now been completed involved an evaluation of the whole service at a strategic level using a nationally accredited IdEA model Towards an Excellent Service (TAES) which assessed the whole service including Health and Leisure Centres across 8 themes as follows:
- Leadership
 - Policy and Strategy
 - Community Engagement
 - Partnership Working
 - Use of Resources
 - People Management
 - Standards of Service
 - Performance Management & Learning
- 1.4 In each theme scoring was on a scale of 1-4 where 1 = poor, 2=fair, 3=good and 4=excellent and the service scored at level 4 (excellent) for all themes except community engagement for which the score was 3 (good).
- 1.5 The external assessors were highly impressed with the service provided and the quality of the facilities, staff and programmes.
- 1.6 The full outcome of the TAES process has been reported to members (Cabinet minute 109 4/4/07 refers).

- 1.7 In addition to the overall review of the Service it was agreed that a challenging and rigorous assessment of how the management of Health & Leisure Centres was procured should be undertaken in order to ensure that the service was being delivered in the most efficient and effective way.

2. PURPOSE OF THE REPORT

- 2.1 The purpose of this report is to enable members to evaluate the preferred options for future procurement of the service and recommend the option to pursue.

- 2.2 Prior to the full evaluation of how the service is actually procured it is critical to understand the key elements of the service under scrutiny. Currently the service is characterised by:

- Five Health & Leisure Centres serving the main Centres of population across the District – this is in line with a previously agreed and long held provision strategy.
- A strategic approach to business development – business plans, investment strategies, cash flow forecasting and budget profiling have long been inherent to how the service is managed.
- A culture of continuous improvement – best value reviews and performance and process benchmarking have all led to ongoing improvements in the service.
- A service which is valued by the local community – Citizen Panel surveys and other feedback show that people think that the Council deliver what they want and should continue to do so directly.
- An increasing cost base – the overall cost of providing the service has increased in recent years mainly through the effects of employment legislation
- Strong partnerships with Education – the Centres are all on school sites and provide valuable facilities for the education sector in their locality.
- Strong partnerships with the Health Sector – programmes aimed at improving the health of the community and jointly funded with the PCT are an increasing element of what we provide.
- National Quality Accreditation – the service has recently been awarded Quest accreditation for the quality of its management and range of what it provides to the Community.
- A strong performance management system – processes are in place to ensure that the service delivers to the Corporate Plan and its priorities through Centre objectives and work programmes.
- A service which delivers important community outcomes – the Service delivers benefits across a whole range of important issues including Health, Community Safety and social inclusion.

This demonstrates the impact the service has on corporate priorities. There are also strengths relating to the emerging priorities of children and young people and older people evidenced in general programming but also specific targeted projects.

- 2.3 Members have agreed throughout the Review process and at Cabinet in April that the scope and quality of the service as currently delivered should form the basis of the procurement exercise.

3. PROCUREMENT

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- 3.1 The market for the procurement of the Health & Leisure Centre service is well developed and following an initial scoping exercise 11 options were identified and these are summarised in Appendix 1.

- 3.2 These options were evaluated and assessed against a number of criteria by the Review Team, Heads of Service, Leisure Review Panel and the Project Review Board. The criteria included impact on costs/income, quality, effectiveness, community outcomes and service standards.

- 3.3 The outcome of this evaluation was then reported to members (Cabinet minute 109 4/4/07 refers) who agreed that out of the initial list only 3 options should be evaluated in detail. They were:

- In-house provision with benchmarking and improvement plan
- Private Sector Partnership
- Private Sector Partnership with trust arm.*

*Note – Members agreed not to pursue the pure Trust model at this stage. However as some private sector providers have a trust variant to their standard structure this option was included in order to demonstrate the additional cost savings which may accrue via a reduction in the payment of National Non Domestic Rates (NNDR).

- 3.4 The two private sector options are very similar in terms of the partnership arrangements which would exist but as mentioned the partnership with trust option would yield additional financial advantages involving the reduction in NNDR. As a result the report only evaluates one private sector option but does separately identify the different financial outcomes resulting from a private sector with trust arrangement.

- 3.5 In order for an initial evaluation of the options to take place and comparisons to be made in the absence of any actual tendering process, all of the information and data gathered during and previous to the review has been used to develop two models for future procurement of the service

- 3.6 One model involves the continued provision of the service by the Council and the other a partnership with an external provider. Consideration has been given to both of these options on the basis that both would result in the service being provided in the future at a lower cost to the Council.

4. BENCHMARKING

- 4.1 Benchmarking has been used in the development of both models.

4.2 The proposal for the in house model has been based on extensive and rigorous comparisons of our performance against other providers in the public, private and trust sectors, and involved the collection and analysis of a large amount of definitive data. The key elements of this data collection were:

4.2.1 **Sport England National Benchmarking Service (NBS).** The NBS is a Sport England scheme for indoor leisure facilities designed to provide local authorities with rigorous and robust performance comparisons with an equivalent “family” of facilities across the country.

The comparisons are based on information gathered via user surveys at each site, financial returns and catchment area data. The information is then analysed by Sheffield Hallam University.

Comparisons are made in respect of type of facility, percentage of catchment in socio-economic groups DE, size of centre, type of provision and measured across the four dimensions of performance, access, utilization, finance and satisfaction.

The NBS results can be used to measure performance for both the efficiency (finances and utilisation) and effectiveness (utilisation access, satisfaction) of the service.

There are a total of 27 access financial and utilisation indicators and a total of 20 accessibility and satisfaction indicators.

4.2.2 **Private Sector Benchmarking:** this is a comparative exercise conducted in partnership with one of the country’s leading private sector providers who has for some time been part of our benchmarking partnership arrangements. The process looks mainly at financial performance across all of the key business areas and uses 35 indicators to identify where the service is performing well and where improvements are required.

4.3 In order to ensure that the procurement evaluation process was as challenging and robust as possible it was important that the external model was based on information and data which was as relevant as possible to our existing service. In order to achieve this level of rigour a new and innovative benchmarking approach was developed, which involved an:

4.3.1 **Indicative Market Test:** this is designed to replicate the actual tendering process as closely as possible and in order to ensure that the comparisons are as near like for like as possible the process involves the preparation by the Council of an output based specification for one of the Health and Leisure Centres (in this case Applemore) which describes what the service currently delivers and against which our private sector benchmarking partner submits a proposal for managing and operating that Centre.

4.3.2 The specification covers:

- The current financial position of the Centre based on the 2006/07 budgets
- A quality service which reflects community needs
- Maximisation of use

- A service operating at specified and statutory standards at minimum cost to the Council
- Appropriate levels of management and operational staff valued in what they do
- A programme which takes account of community needs, partners and sports development
- Pricing to encourage access and participation
- Daily operation and year round operating
- Safe and secure facility
- Effective promotion and marketing
- High standards of cleanliness
- A well maintained and suitably equipped facility
- Appropriate vending opportunities
- High levels of customer satisfaction and effective management of customer feedback

Ideally this process would have been undertaken for all five sites but on the advice of our audit section and in order not to compromise the position of the private sector partner in respect of future tendering it was restricted to one site only. The process used to develop an external proposal for all five sites is described later (para. 8.1) in the report.

5. EVALUATION

- 5.1 In order to evaluate the need for change the results of the benchmarking exercises were analysed and key areas for improvement identified.
- 5.2 Benchmarking activity of the kind carried out in the review does generate a large amount of comparative information, and as is often the case with benchmarking activity it is not always possible to ensure entirely accurate like for like comparisons.
- 5.3 However for the first time this year the Sport England data was compiled and presented in such a way as to enable accurate like for like comparisons with the Private and Trust sector. It is widely considered to be the most accurate indicator of actual performance across all sectors generated to date and therefore forms the basis for the in-house model.
- 5.4 The results overall show that the service scores well on most of the quality issues and that both costs and income are high, findings which are reflected in both the private sector benchmarking and indicative market test.

- 5.5 As there is a great deal of information generated by this sort of process the review focused on the comparators which were likely to be key drivers for change. These were:

Source	Sector	Comparator	Performance
S. England	Public/ Private/ Trust	Income	Top/Upper Quartile
S. England	Public	Satisfaction	Top Quartile
S. England	Public	Customer Care	Top Quartile
S. England	Public/ Private	Utilisation	Top Quartile
S. England	Public	Access	Upper Quartile
S. England	Public/ Private/ Trust	Costs	Bottom Quartile
S. England	Public	Cleanliness	Bottom Quartile
S. England	Public	Recovery Rate	Mid/Lower Quartile

- 5.6 Given that the service performs in the top quartile for income and bottom quartile for cost the critical factor here is the recovery rate indicator. If comparisons for that indicator are good then high costs are being more than compensated for by the strong income but if results are poor then the reverse is true.
- 5.7 As can be seen from the table our performance on recovery rate is mid/lower quartile and therefore high costs are the dominant factor. If there is to be an improvement in this key indicator then either income must increase or costs reduce.
- 5.8 The capacity to substantially increase income is likely to be limited given our upper quartile position for income and utilisation and therefore depends on two main factors:
- Increasing fees and charges
 - Expanding facilities and /or activities
- 5.9 Our recent benchmarking and price comparisons have shown that we are very much at the upper end of our particular market price range, and more importantly feedback strongly indicates that this is a view shared by our customers.
- 5.10 The provision of additional facilities and activity programmes is constrained by the space available, and although the capital programme includes a number of schemes which in the next few years will result in a reduction in the net cost of the service, it will not have a fundamental effect overall.
- 5.11 The obvious conclusion was that any improvement in the financial position of the service must focus on a reduction in our cost base which is high when compared to other providers.
- 5.12 However given the overall context of the review cost reduction should only be considered where existing standards could be maintained at least at the existing level.

6. THE INTERNAL MODEL

6.1 This focus on costs was the key to developing the proposed new model for in-house service delivery and the review concentrated on operational arrangements and management structures. The high cost elements of the service were critically scrutinised and compared with the costs of other service providers in the public and private sectors in order to identify where efficiency gains could be made. The key areas identified and issues identified were:

6.1.1 *Employee Costs:*

- There needed to be a stronger delineation between operational and business management functions
- The levels of operational cover were higher than required to meet statutory obligations, and should be reviewed

6.1.2 *Maintenance arrangements:*

- costs per square metre were high when compared with other providers
- budgets had been under spent in recent years
- Standards were high

6.1.3 *Cleaning:*

- Costs were high when compared with other providers
- Standards were in the lower quartile

6.1.4 *Support Costs:*

- Costs were high when compared with other providers.
- Admin support arrangements were a key area for review.*

*Note –The administrative arrangements at the Centres has been the subject of a separate detailed review which has been reported to and monitored by a full Review Board which included members and senior officers. A wide range of efficiency gains have resulted from the process however only the key financial outcomes will be included in this report.

6.1.5 In addition to these specific areas identified through the benchmarking exercise a critical review of all budgets was undertaken to identify where any other efficiency gains could be made.

6.1.6 The conclusion reached overall was that operational standards and business performance could be at least maintained while still achieving a reduction in costs.

6.2 In the light of this evaluation a new model is proposed for the future delivery of the service by the Council the key elements of which directly reflect the issues above.;

6.2.1 *Management Restructure: (£144,230)*

The details of the restructure have already been reported to members and implementation has started. There is now greater emphasis on specialist business and operational roles together with a revision of operational cover arrangements.

6.2.2 *Building & Equipment Maintenance: (£35,500)*

A review of the planned and reactive maintenance programmes and the effectiveness of service contracts have resulted in more efficient arrangements, which are currently being put in place.

6.2.3 *Building Cleaning: (£60,000)*

There is capacity to substantially reduce cleaning costs across the 5 sites demonstrated through:

- The “in Centre” arrangements now in place at Totton
- The results of our benchmarking
- An indicative market test

Given that the cleaning is currently undertaken by the Council’s Commercial Services there will be an element of retained overhead costs. This has been taken into account in calculating the saving.

6.2.4 *Support Costs: (£20,000)*

The H&L Centres have undertaken a detailed review of their admin support arrangements which will be the subject of a separate report to CMT and Cabinet. The key outcomes from the review are:

- Use of the Council’s Contact Centre for all incoming phone calls
- Centralisation of Direct Debit Administration
- Centralisation of club invoicing
- Rationalisation of Centre admin units
- Introduction of Express till at reception

In addition to the cashable savings indicated there will also be a number of non-cashable efficiency gains which are currently being quantified.

6.2.5 *Budget reductions: (£56,000).*

A critical review of budgets has resulted in a number of savings being identified which are sustainable into future years. These include:

Criminal Records Bureau -£7,000

Sports Equipment for resale -£15,000

NNDR Totton	-£6,000
HCC Contribution (inflation)	-£12,000
Other	-£16,000

6.3 These proposals and costs are summarised in Appendix 2.

The management arrangements in respect of the proposed model would stay very much as they currently exist with the Portfolio Holder and Leisure, Culture & Youth Matters Review Panel leading Policy Development and Performance Management, and delivery led by the Head of Service and his management team.

6.4 These arrangements are considered to give the Council;

- Continuity – a platform to continue the effective delivery of the service at reduced cost
- Flexibility – further developments in the scope or level of service can be agreed and put in place simply quickly and effectively.
- Consistency – continued levels of service provision and quality can be guaranteed.

6.5 One development which is likely to occur would be to “roll out “the Joint Management Board structure in place at Lymington to all other sites.

7. THE EXTERNAL MODEL

7.1 The indicative market test of Applemore and to a lesser extent the private sector benchmarking exercise formed the basis for formulating this model, which was designed to demonstrate the possible financial implications of an external provider managing the service.

7.2 Based on the specification described earlier, DC Leisure provided a comprehensive proposal for managing and operating the Centre which included:

- Company Philosophy and Policy
- Maximisation of Use
- Continuous improvement
- Best Value
- Management Structure
- Staff Training and Development
- TUPE
- Programming
- Sports Development

- Pricing
- Membership
- Health & Safety
- Promotion & Marketing
- Cleanliness
- Building & Equipment Maintenance
- Vending Service
- Customer Care
- Environmental sustainability
- Financial Arrangements

7.3 A number of meetings were subsequently held with DC Leisure in order to clarify certain elements of their proposal and to ensure that the arrangements described met with the requirements of the service as specified.

7.4 The key features of their proposal were:

- Varying levels of comparative income for different activities – (-£107,995) although the proposal was based on the existing level of service there seemed to be a different emphasis within the programme with more focus on Health and Fitness related activities and memberships and less on instructor led activities.
- Lower staffing costs – (-£474,500) these were lower both at an operational and management level. At the operational level the main features here were a lower spend on attendants and activity instructors but higher costs for sales and fitness staff. At the management level there was a flatter structure with more emphasis on business specialism.*

*Note – Although the proposal was prepared on the basis of a TUPE transfer the employee structure used as the basis for the costings was one which DC Leisure intended to move to over the 5 year term based on redeployments and natural wastage.

- Lower cleaning Costs – (-£97,880) these were approximately 50% lower than our current costs and it was likely that the cleaning would be undertaken by directly employed Centre cleaning staff.
- Lower procurement costs mainly for equipment – (26% reduction over 4 years) there were substantial economies of scale arising out of the number of Centres in the portfolio of the private sector partner.
- A saving on NNDR – (-£237,360) (through their trust model)
- A Management Fee – (£1,661,530) this is the fee which DC Leisure would charge the Council for managing the Centres and includes their profit calculated as 7% (£324,180) of income.

- 7.5 This information together with the other DC Leisure benchmarking data formed the basis for the development of the external model.
- 7.6 Management Arrangements – In the event that the external option is chosen there will undoubtedly a large number of different organisations interested in managing the service on behalf of the Council and the proposals submitted will no doubt include a number of different partnership approaches to the overall management of the service.
- 7.7 The Council's continuing influence on policy and strategy is seen as important and although influence can be exerted through the specification and management fee these can be very formal processes.
- 7.8 Often the success of these types of partnerships depends on positive dialogue between the parties and the type of arrangements which might exist are outlined in the DC Leisure proposal. These would consist of:

7.8.1 *Partnership Board:*

- Membership – Key Council members/officers
 - Senior Representatives of DC Leisure
- Terms of Reference – Joint Strategic planning
- Performance review
- Improvement planning
- Meetings – Quarterly
- Annual Report & Service Improvement Plan

7.8.2 *Consultative Forum:*

- Membership – Customers
 - Community groups
 - Stakeholders
- Terms of Reference – Monitor Service Quality
- Feedback on standards
- Input into improvement plan

7.8.3 *Partnership/Contracts Managers:*

Both the Council and DC Leisure have included in their models posts designed to ensure effective operation and management of the partnership.

They would meet formally on a monthly basis in order to:

- Ensure that the terms of the specification and contract were being met
- Track participation and trading trends
- Analyse actual performance
- Analyse benchmarking data
- Plan proposals for improvement

7.8.4 In addition to these formal arrangements there would be continuous informal contact and dialogue between the parties in order to ensure effective day to day operation of the service.

8. FINANCIAL EVALUATION

8.1 In order to make meaningful comparisons with the proposed new in house arrangements, an indicative proposal for all 5 Centres had to be developed based on the single bid for Applemore and a methodology designed to achieve this was formulated jointly with Accountancy. This methodology involved:

- A direct comparison of the Applemore and DC Leisure budgets for income and expenditure
- Calculation of a numerical “factor” to reflect the difference between the two
- Application of the “factor” to the budgets at the other Centres
- Adjustment of the factored figures taking into account
 1. local market conditions
 2. infrastructure issues e.g. car parking
 3. other benchmarking information
- Calculation, based on the “factored” figures of the management Fee which the Council would have to pay to DC Leisure for the operation and management of the Centres

8.2 Full details of the process are included in Appendix 3.

8.3 Once the figures for Applemore had been extrapolated in this way to calculate a figure for all five Centres a financial evaluation of the two proposals was undertaken.

8.4 A summary of the comparison between the actual 2006/07 financial position for the 5 Centres and the extrapolated DC proposal is shown in Appendix 2. As members will see from the Appendix the estimated total reduction in the cost of the existing service under the DC proposal is £554,050. Full details of the comparative financial proposals are shown in Appendix 4.

8.5 An important element of the whole comparative process is the DC Leisure Management Fee which is the fee which DC Leisure would charge the Council for the Management of the Centres. This totals £1,661,530 and an understanding as to how it is made up is summarised in Appendix 5.

8.6 In summary the comparative savings are as follows:

	Model		
	Internal	External	External with Trust
Saving to NFDC	-322,730	-316,690	-554,050
Addit. Cost to NFDC – External		6,040	
Addit. Saving to NFDC – External with Trust.			-231,320

8.7 The essential difference in the savings generated between models is the saving on National non Domestic Rates which could be seen as a business risk given that they are externally determined.

9. TIME SCALES

9.1 The immediate question relating to the choice of which option to pursue for the procurement of management of the Health and Leisure Centres needs to be considered in the light of the timescales involved.

9.2 If the internal option is chosen, the process of implementing the changes which has already started will continue. Necessarily these savings can be accrued almost immediately with no further processes as follows:

Savings	2007/08	2008/09	2009/10
Annual	£70,000	£225,730	£27,000
Cumulative	£70,000	£295,730	£322,730

9.3 If the external option is preferred, there will need to be a process of letting the tender, which will have an appreciable lead-in time with the result that any cost savings will not begin to accrue until 2008/09. There will also be considerable management costs involved in the implementation of the tender process.

9.4 Every attempt has been made to present a considered and realistic assessment of the options. However, it will be understood that by the very nature of this process the savings associated with the in house model are known and achievable whereas the true extent of savings arising from the external option will only be known as the result of an actual tender process.

10. CONSULTATION

10.1 The views of the community regarding this issue were sought as part of the Citizens Panel survey undertaken in July 2006. Amongst a wider leisure survey, the Citizens' Panel was asked:

Who do you think should lead the delivery of leisure services in the district?

The highest response was 72% - New Forest District Council. (Next highest were: Town and Parishes and Hampshire County Council, both at 9%)

Who should provide the health and leisure Centres in the District?

The highest response was 62% - New Forest District Council. (Next highest were: not for profit organisation 13% and partner with another local authority 10%)

10.2 As part of the review process the employees, their representatives and contracted partners have been fully consulted on the proposals.

10.3 Employees – A major element of the internal model has been the development and implementation of a new management structure at the Health and Leisure Centres. Employees have been involved at all key stages and been kept fully informed at all stages as have their Employee Side representative.

10.4 Education – All of the Head Teachers have been consulted and both Priestlands School and Totton College have responded directly. They said:

Priestlands School:

"It is our view that the service would be better if it continues to be delivered in-house. We have, over the years, developed a good working relationship with Lymington HLC and we know each other's needs and priorities. We also know the little flexibilities that make the system work. Our concern about franchising out the operation to the private sector would be the continued loss of quality staff through fear and the uncertainty factor, similar difficulties recruiting new staff of sufficient calibre and low morale.

If, however NFDC decides to out-source deliver, we would wish a number of safeguards to be firmly in place:

- All staff to be CRB checked
- Management Agreement and role of JMB to be guaranteed
- No loss of access/ provision to the school
- Protection of existing NFDC's Staff conditions of service and pensions"

Totton College:

"Thank you for your briefing of the current review of recreation centres in the Forest. I have given this some careful consideration. The College is looking for a number of key features in a relationship with a provider on this campus:

- A business partner who looks proactively at opportunities to develop facilities and services for the College and the wider community

- An organisation that can work sensitively and positively with the College in meeting the needs for our learners and the wider community
- A service that recognises that the traditional 'dual users' arrangement established pre incorporation has now to be modernised
- A management team with whom we can do business
- An organisation that offers good value for money to local people and is held in high regard

I believe that the current arrangements match or exceed all of these requirements. Clearly this review is important to the Council and I am more than happy to enter any dialogue."

Both Arnewood and Ringwood schools have discussed the matter with the County Council and these discussions are reflected in the response from the County Council.

10.5 Hampshire County Council – The response from HCC was as follows:

"The County Council's primary interests are in ensuring that schools continue to benefit from use of the recreation facilities, that high quality services are provided for the wider community in ways which do not unduly interfere with the governance of the schools and the delivery of the curriculum, and that the financial implications for the Council do not increase. The District Council is entirely responsible for ensuring the delivery of quality service outcomes within the available resources. Decisions about whether these can be best provided through direct management of the centres or through contracting to a third party are a matter for the District Council. The County Council is open to any arrangement preferred by the District Council, provided the District Council rather than any third party remains fully accountable to the County Council for complying with the terms originally agreed.

The County Council has some experience of the alternative proposals being considered by the District Council on other school sites in Hampshire, which have had mixed success. Changing the arrangements does not necessarily lead to increased provision, improved service or reduced costs.

Should the District Council seek to move away from direct management of the centres, I expect that there would need to be considerable discussion and some possible re-negotiation with the stakeholders about the nature of any tender offered to interested parties.

The County Council and the Governors of Priestlands School have for some time been negotiating with the District Council about changes to the management arrangements at the Lymington Recreation Centre. A partnership agreement has just been finalised which has established a Joint Management Board on which the Governors are fully represented. Arrangements for funding and the allocation of the shared use of facilities have been brought up to date. New planning and reporting

procedures ensure more transparency, greater influence on strategic decisions and a much improved forum for resolving the inevitable problems arising from the shared use of a site. I would expect that the District council would continue to be accountable through the Joint Management Board for the operation of any third party contracted to deliver services on its behalf, should this be the outcome of the service review.”

10.6 Other – The Lymington and Pennington Town Council have commented as follows:

“It was proposed that, based on the limited information that has been provided, the Recreation Centre should continue being run in-house by the District Council as it was felt that this option looked after the community more, that each option should be thoroughly investigated so that costs are kept down, and that the Council would like to be consulted again once detailed alternatives have been identified and costed.”

11. SUMMARY AND CONCLUSIONS

11.1 As part of the Councils performance management process the Health and Leisure Centres have completed a Fundamental Review of the Service they provide to the public.

11.2 Overall the review showed that the service

- Is highly valued by the communities it serves
- Is highly rated by external assessors
- Compares favourably in most aspects with other public and private sector providers

11.3 Members decided, however, that they wished to review the way in which the service was procured given the high cost of the service and to ensure optimum efficiency and effectiveness.

11.4 A long list of procurement options was considered initially which following detailed evaluation was reduced to three:

- Internal delivery with an improvement plan
- External partnership
- External partnership with trust arm

11.5 The evaluation of the options was based on the development of two models the basis of which was a detailed and rigorous benchmarking process involving:

- The Sport England National Benchmarking Service
- Private sector benchmarking partnership
- An indicative market test

11.6 The development of the models was done on the basis that as far as possible they would both deliver the existing standards and level of service.

The evaluation of the models showed that:

- The internal option would achieve a saving of £322,730
- The external option would achieve a saving of £316,690
- The external option with a trust arm would achieve a saving of £554,050
- The savings associated with the internal model were already accruing and could be achieved by 2009/10
- The savings associated with the external models were estimates only.
- Any savings from an external partnership would not start until 2009
- That the management arrangements under an external partnership would need to be clearly defined to protect service standards and programmes

11.7 The process at all stages had involved consultation with key stakeholders many of whom had expressed a view as to their preferred outcome.

12. EMPLOYEE SIDE COMMENTS

12.1 It is noted by Employee Side at para 1.5 that external assessors were highly impressed with the service provided and the quality of the facilities, staff and programmes. We believe this to be an informed and true reflection of the excellent Leisure Centres we run and those running them should feel rightfully proud.

12.2 In para 1.7 In the review of the service that took place, Employee Side were fully consulted and took an active role in speaking to staff with regard to concerns they may have.

12.3 Under Procurement Para 3, it is mentioned that a Trust Model could accrue additional savings in the payment of National Non Domestic Rates (NNDR). Employee Side state Trusts are required to operate as stand alone organisations independent from the democratic structure of the Council. Elected Members would have minimal influence over the Trust's financial problems. If a Trust has financial problems, elected Members will have limited influence over strategies to be adopted. These will inevitably affect service delivery and employees. A Leisure Trust would thus limit the ability of the Council to carry out its policies and programmes for a comprehensive leisure service.

- Some problems with Trusts are questions over the long term availability of NNDR and VAT savings.
- Business Values - reductions in costs and income generation become priorities over the quality of service.
- Loss of work for in- house services – employment and cost impact of a reduction in central services workloads.
- Direct democratic control of the service will cease – elected Member representation on the Trust is limited to 20% of the board.

Board members first priority is to the interests of the Leisure Trust not the local authority.

- Implementation of corporate policies and priorities become more difficult.

12.4 Para 5.8 states two main factors for the ability to increase revenue; increasing fees and charges or expanding facilities. Part of the review was a middle management restructure which has gained savings of £144,230 not including the increased revenue from the efficiencies of the proposed operational/business model. This increased revenue cannot be gauged until this model has had a reasonable period of time in which to operate.

12.5 In Para 7, the External Model – Employee side have concerns over some of the key features in 7.4:

- Lower staffing cost £474,500. It is felt by Employee Side the quality of service is best achieved when the quality of employment is also a key objective combining local government terms, conditions of service and pension scheme together with an effective industrial relations framework. In house services are less likely to use a high level of agency and temporary staff. A two tier workforce is also much less likely to develop. Therefore with the service in house local people fare far better with quality jobs, providing quality services, from a quality employer.
- The savings on cleaning costs could be well within the capacity of our own management structure to incorporate.
- Savings on NNDR – These savings are subject to Government Intervention and may only be short term – plus numerous strings are attached to the Trust Model.
- Management Fee with profit calculated – The fact that a profit element is added would surely mean services would diminish and prices increase. It is felt that the profit element would be placed at major importance by any external contractors, even before the level of services, and is against the ethos of the public sector (which we support) value for money quality services.

12.6 Employee side see the charges for the Management Fee as shown in Appendix 6 and comparative savings keeping in house as shown in 8.6 although slight at £6,040 as to indicate the process of anything other than keeping the service in house would be reckless and irresponsible.

12.7 In 9.2 with the restructure in place, it is confirmed that if the internal option is chosen, the process of implementing savings can begin immediately with no delay whereas with 9.3, there are the considerable management costs involved in the implementation of the tender process.

12.8 Para 10.3 includes “The County Council is open to any arrangement preferred by the District Council subject to being fully accountable.” Employee Side believe that outside of an in-house service, full accountability to the County Council would be difficult.

12.9 Para 10.4 Priestlands School intimates that they have a concern over loss of quality staff if a move to the private sector were to take place. We believe these concerns are well founded and hopefully will be avoided.

Conclusion

12.10 It must be stated that Employee side compliment the author on a very extensive, balanced and fair draft report.

12.11 Employee side would hope the draft report makes it clear that the in house model with improvements is given time to gain the efficiency and extra profitability that is planned for.

12.12 We believe that the interests of employees and the public are best served with the Leisure Services of the New Forest District Council run by our own Management Team and believe that this draft report vindicates this view.

13. CRIME AND DISORDER IMPLICATIONS

13.1 The important role that the Health and Leisure Centres play in providing positive leisure and recreational opportunities in communities has long been recognised and this in turn has a positive effect on crime and disorder in the communities which they serve.

13.2 It is vitally important that these opportunities continue to be provided under whatever arrangements exist in the future.

14 ENVIRONMENTAL IMPLICATIONS

14.1 The Council is committed to a programme of energy management and CO2 reduction which will need to be sustained in any future management arrangements.

15. EQUALITY AND DIVERSITY IMPLICATIONS

15.1 The Council is currently achieving level 3 Equality Standard and is aspiring to level 5. This will need to be reflected in any future management arrangements.

16. LEISURE, CULTURE AND YOUTH MATTERS REVIEW PANEL COMMENTS

16.1 The Leisure, Culture and Youth Matters Review Panel was unanimous in its view that the provision of the Health and Leisure Centre service should be provided through an in-house model with a plan for continuous improvement of the service, and that the quality of service should be maintained whilst potential areas for savings were pursued.

17. RECOMMENDATION

17.1 That Cabinet decide on a preferred option for the future procurement of the Council's Health and Leisure Centre service.

For further information:

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Background papers:

PROCUREMENT OPTIONS: HEALTH AND LEISURE CENTRES

In house with benchmarking and improvement plan		Pursue?	√
OBVIOUS BENEFITS Plays to strengths of the Service and Council. Ease of implementation and control. Benchmarking promotes learning. Confirms belief in team. Track record of improvement using this model. Compares public and private sector.	OBVIOUS ISSUES A test of performance but is there sufficient challenge of that performance?		
COMMENT This approach has been central to the development of the service up to this point and has consistently delivered high scoring assessments and service improvement. (It could be done in conjunction with an indicative market test – see below)			

Indicative market testing of one Centre		Pursue?	√
OBVIOUS BENEFITS Rigour of the market. The process will promote learning. Time and resources manageable	OBVIOUS ISSUES Likely scale of benefit - when already a good service. The choice of partner for the test is important. Delivery of support services. Conditions of service		
COMMENT This exercise would provide information which goes beyond conventional benchmarking. An indicative bid would be based on a short specification which is based on the current service. It would allow current performance and the value of wider testing to be assessed. It needs a credible organisation as partner, that understands the service but is separate from it.			

Externalisation, with no in-house bid		Pursue?	X
OBVIOUS BENEFITS Rigour of the market	OBVIOUS ISSUES Loses all the gains of the current (good) service. Reliance on written documents. Time and resources to implement – if there are concerns over standards etc Clienting costs Conditions of service		
COMMENT There would seem to be insufficient benefit for the circumstances of this Council to recommend this be pursued as an option. However, it could be explored after the results of benchmarking and indicative market test, should they indicate poor performance.			

Market testing of all, in open competition		Pursue?	X
OBVIOUS BENEFITS Rigour of the market. The process will promote learning.	OBVIOUS ISSUES Time and resources to pursue and Likely scale of benefit - when already a good service.		
COMMENT Given the history of performance this option demands too much resource in comparison with the likely benefits it might yield. However, it could be explored after the results of benchmarking and indicative market test, should they indicate poor performance.			

Operational partnerships – new and / or extended contract arrangements for parts of service		Pursue?	√
OBVIOUS BENEFITS Can devise the sections of service where the biggest impacts are likely to be felt. Extends an existing culture that has been successful. Overt “mixed economy”	OBVIOUS ISSUES Only partial to the service – will the “best” areas be picked or hidden? The cost to partners to devise		
COMMENT This can be rigorous and targeted to maximum effect. The resources needed to undertake it are less. The challenge process should identify whether it is partnership with the whole or parts of the service.			

Joint commissioning with another local authority.		Pursue?	√
OBVIOUS BENEFITS Could lead to overhead reductions. Public structures are under review in any event. More shared agendas now. Some partnerships exist in other services	OBVIOUS ISSUES Leadership complexities. “Control issues” for partners to face. Organisational structures. Conditions of service.		
COMMENT The core of the Service could be managed by one authority on behalf of others – eg set up a joint board with an adjacent local authority to then make arrangements for delivery. Particular target authorities can be quickly identified and scoped. There is practice in other services to draw on and learn from.			

Transfer to Hampshire County Council		Pursue?	X
OBVIOUS BENEFITS Release of responsibility. Some organisational structures exist.	OBVIOUS ISSUES Loss of expertise. Community access. Programming. Revenue cost likely to remain unless service standard is reduced. Not a model anywhere else in Hampshire "Control" and localness issues.		
COMMENT Elsewhere HCC has community schools but in these Districts there is a two tier structure with District commissioned Centres providing the broadly based service with full community access. Likely to be a narrow interpretation of delivery.			

Partner with an existing not for profit body		Pursue?	√
OBVIOUS BENEFITS Immediately evident financial benefits. May link to commercial organisations and their expertise. Can "freeze" the scale of provision at the contracted level. Set up achieved. Increase in scale to benefit costs.	OBVIOUS ISSUES If use existing – control issues and "remoteness". Contracts tie in levels of revenue support. Clienting costs Joint clienting arrangements? / structures Time and cost for specification / preparation. Loss of localness		
COMMENT There is an immediate attraction in terms of potential cost savings due to trust status. However, control and influence are reduced. Even if there is a desire for a detailed specification of the service, it should be less demanding of resources, given an existing body to draw on. Demands for investment in buildings are likely.			

Create a not for profit body for this District service		Pursue?	X
OBVIOUS BENEFITS Immediately evident financial benefits. May link to commercial organisations and their expertise. Can "freeze" the scale of provision at the contracted level.	OBVIOUS ISSUES Needs to be created if tailor made. Control issues Questions over sustainability as small. Contracts tie in levels of revenue support. Clienting costs Considerable time and cost to specification / preparation.		
COMMENT There is an immediate attraction in terms of potential cost savings due to trust status. However, control and influence are reduced. Demanding of resources to prepare and manage if there is a desire for specification of the service and to monitor it. Demands for investment in buildings are likely. Most of concern is the value of creating another separate trust – the trend is for aggregation in the Trust sector, not new entrants to the field.			

APPENDIX 1

Cessation of the service in whole or in part		Pursue?	X
OBVIOUS BENEFITS Savings of subsidy	OBVIOUS ISSUES Consistent support for the service from stakeholders. Undefined disbenefits in areas such as health, behaviour, social well being. Against all current public agendas		
COMMENT As a whole, inappropriate given the Council's objectives. Very strong citizen support for the service. Partial cessation may arise from other assessments.			

Public / Private partnership		Pursue?	X
OBVIOUS BENEFITS New finances	OBVIOUS ISSUES Lack of scale		
COMMENT Inappropriate for the nature of the operation			

New Forest District Council

Indicative Market Test - Summary of Models

	Current NFDC Position	In-House Model *		External model	
		NFDC costs after FSR savings	Savings	NFDC costs for External Model	Savings/Additional costs
Direct Employee Costs	4,172,470	4,001,740	-170,730	112,380	-4,060,090
Non-Direct Employee Costs	486,540	486,540	0	223,140	-263,400
Premises	1,429,900	1,333,900	-96,000	177,240	-1,252,660
Transport Related Costs	3,000	3,000	0	0	-3,000
Supplies & Services	784,350	740,850	-43,500	1,730,330	945,980
Support Services	262,930	262,930	0	254,930	-8,000
Capital Financing	881,690	881,690	0	582,160	-299,530
Income	-4,974,390	-4,986,890	-12,500	-587,740	4,386,650
Grand Totals	3,046,490	2,723,760	-322,730	2,492,440	-554,050

* Summary of internal model;

Area Of Saving	£
Staffing restructures	-144,230
Planned Preventative Maintenance budgets	-30,000
Removal of Technogym ASC	-5,500
Non NFCS cleaning contract	-60,000
Achievable Savings from analysis of budgets	-56,000
Closure Of Applemore Creche	-5,000
Admin Review savings	-20,000
Addit income from use of Second Sun Bed room	-2,000
	-322,730

- These area's of saving are full year effects and therefore will be 100% achievable in 2009/10.
- A reduced level will be achievable during 2007/08, although the 2007/08 base budget already includes a £70,000 unidentified saving budget which will be used to offset these items.
- No Provision for redundancy costs has currently been made within these costings.

** Summary of External model (please refer to Appendix 5 for further details);

Area Of Saving/Additional Cost	£
Direct Staffing savings as external partner would employ all	-4,172,470
Retained direct costs	112,380
7.5 support staff post savings	-231,050
ICT savings	-32,350
Annual NFDC PPM costs	100,000
NFDC Premises Insurance	37,240
Commercial Services retained cleaning overheads	40,000
General Premises Savings	-1,429,900
General Transport Savings	-3,000
Decrease in buying power as an authority	68,800
Estimated external Management fee (see Appendix 5)	1,661,530
General Supplies and Services Savings	-784,350
Support Services Savings	-8,000
Equipment Depreciation/Leasing Savings	-299,530
Loss of operating income received by NFDC	4,974,390
HCC contribution payable to NFDC - not external provider	-350,380
75% NNDR reduction - Trust partnership model	-237,360
	-554,050

Methodology for Calculating the Estimated Savings to NFDC

- As explained in paragraph 8.1 DC Leisure provided some figures based on the 2006/07 Applemore budgets to show how much it would cost them to run the centre.
- The Applemore budgets and the DC proposed figures were compared directly to each other, factors were worked out (if for example DC had indicated they would spend £80,000 on Instructors compared to Applemore's budgeted spend of £100,000, a factor of 0.80 was calculated) and staffing structures drawn up accordingly. For the purpose of this exercise it was assumed that the DC costs would compare in a similar way to the budgets at other centres. The calculated factors were therefore used in order to calculate the projected DC Leisure expenditure elsewhere and compared to the budgets at these other centres.
- The next step was to extrapolate the DC information based on Applemore into a 5 centre version. This was done by using a combination of factoring (as mentioned above), structural staffing changes and fixed costs.
For example; if DC had indicated they would employ 3 Duty Managers and 3 Duty Officers at Applemore, whereas NFDC may have 4 of each, this was treated as a structural change and the variance worked out on that basis, as well as taking into account local differences between the centres (another centre may only have 3 already) based on Leisure managements' experience. If DC had indicated they would spend £15,000 on general plant at Applemore, as the centres have more or less the same level of plant, this was treated as a fixed cost for all 5 centres.
- The income generation for DC was also based on using factors, derived from a comparison of the 06/07 outturn for Applemore with the DC leisure information. A comparative exercise based on 2005/06 benchmarking was then carried out, and where necessary, adjustments made based on managements' knowledge of the local conditions and discretion to ensure the information was also in line with these indicators. If DC had for instance estimated that they would take more Health and Fitness income at Applemore by a factor of 1.14 (after benchmarking adjustment if applicable), the Health and Fitness income at the other centres was then also multiplied by 1.14, on the assumption that DC Leisure would perform in line with the Applemore proposal.
- The estimated DC management fee was then calculated from using the DC operating deficit for the 5 centres – using the calculated extrapolated information, plus a DC regional support fee (3.42% of income), plus a profit/contingency fee (7% of income).
- The total current running costs to NFDC of the 5 centres (based on latest 2006/07 budgets with a few relevant outturn adjustments) was then compared to the projected cost of DC Leisure providing the service (including the DC management fee and those costs still accruing within NFDC even after potential transfer of the service provision in the centres).

Account	Account Name	Current NFDC Position	NFDC costs for external model	Savings/Additional costs	Notes
E001	Salaries	74,470	35,000	-39,470	1 x band 7 Client monitor post
E010	Wages	37,600	0	-37,600	
E029	Personal Training	5,000	0	-5,000	
E030	Senior Leisure Attendants	23,120	0	-23,120	
E031	Attendants	653,410	0	-653,410	
E032	Instructors	716,550	0	-716,550	
E033	Receptionists	350,090	0	-350,090	
E034	Creche	33,430	0	-33,430	
E035	Playgroup	27,510	0	-27,510	
E036	Service Training	25,380	0	-25,380	
E037	Fitness Suite Instructors	350,680	0	-350,680	
E039	Customer Advisors	50,610	0	-50,610	
E300	Staff Advertising	21,580	0	-21,580	
E310	Interview Expenses	50	0	-50	
E400	Employee Insurances (LI100)	1,750	0	-1,750	
E420	Medical Indemnity & First Aid Insurance	6,330	0	-6,330	
E505	Training	27,090	10,000	-17,090	Retained Training budget for other CS sections
E599	Healthy Living Emp Costs	34,000	0	-34,000	
E801	Applemore Health & Leisure Centre (SE310)	396,220	0	-396,220	
E803	New Milton Health & Leisure Centre (SE320)	312,830	0	-312,830	
E807	Ringwood Health & Leisure Centre (SE330)	336,750	0	-336,750	
E808	Health & Leisure Centres Maintenance (SE301)	67,380	67,380	0	
E809	Lymington Health & Leisure Centre (SE340)	304,240	0	-304,240	
E811	Totton Health & Leisure Centre (SE350)	316,400	0	-316,400	
10	Direct Employee Costs	4,172,470	112,380	-4,060,090	
E704	Personnel (SA200)	11,090	11,090	0	
E732	Reception & Information Services (SA820)	9,560	9,560	0	
E734	The Design Room (SA811)	29,960	7,960	-22,000	1 post saving
E736	Information & Communications Technology (SA800)	93,470	35,970	-57,500	1 post, Gladstone, voice recording, and HPSN
E742	Legal & Democratic Services (SA700)	10,570	10,570	0	
E758	Supp.Serv.Manager/Risk, Ins & Fleet (SD870)	5,200	5,200	0	
E766	Sundry Debtors (SD876)	1,390	1,390	0	
E770	Payroll (SD881)	82,690	24,690	-58,000	2.5 posts saving
E772	Payments (SD882)	7,860	7,860	0	
E780	Accountancy (SD950)	40,180	10,180	-30,000	1 post saving
E800	Director of Community Services (SE100)	18,000	18,000	0	
E802	Community Services Admin (SE200)	23,930	23,930	0	This allocation reduced in 07/08 to £15k
E806	Asst Director - Leisure/Recreation (SE300)	96,350	450	-95,900	2 posts saving
E822	Internal Health & Safety (SE411)	8,550	8,550	0	
E899	Allocation of Notional Interest Withdrawal	-36,000	-36,000	0	
E964	Central Purchasing & Stores (SG670)	26,550	26,550	0	
E976	Property Services (SG730)	57,190	57,190	0	
10	Non-Direct Employee Costs	486,540	223,140	-263,400	
P002	Repairs & Maintenance - Buildings	39,060	0	-39,060	
P011	Improvements	8,520	0	-8,520	
P015	DDA Works	14,000	0	-14,000	
P020	Property Services Maintenance	83,000	0	-83,000	
P022	PPM Annual Service Contracts	64,000	0	-64,000	
P023	PPM ASC Additional Works	54,820	0	-54,820	
P024	Major Items of Plant Replacement	14,000	100,000	86,000	Estimated annual building works/plant
P025	Air-Conditioning Unit Replacement	10,500	0	-10,500	
P026	Underwater Repairs	12,500	0	-12,500	
P027	Ventilation Ductwork Cleaning	7,000	0	-7,000	
P030	Electrical Testing	18,490	0	-18,490	
P100	Electricity	175,240	0	-175,240	
P105	Gas	208,150	0	-208,150	
P132	Council Tax Rates	316,480	0	-316,480	
P150	Water Charges Metered	24,560	0	-24,560	
P155	Sewerage	26,980	0	-26,980	
P210	Cleaning & Domestic Supplies	15,520	0	-15,520	
P215	Cleaning	38,610	0	-38,610	
P220	Premises Insurance	37,240	37,240	0	NFDC would remain landlord
P254	Building Cleaning - Health & Leisure Cent. (JP020)	226,230	40,000	-186,230	NFCS costs to be re-allocated
P555	Insurance Claims	0	0	0	
P613	Energy Conservation	35,000	0	-35,000	
20	Premises	1,429,900	177,240	-1,252,660	
T200	Car Allowances	1,000	0	-1,000	
T599	Healthy Living Trans Costs	2,000	0	-2,000	
30	Transport Related Costs	3,000	0	-3,000	
S002	Equipment & Tools	54,630	68,800	14,170	Decrease in buying power as an authority
S006	Furniture	11,370	0	-11,370	
S008	Materials	23,020	0	-23,020	
S010	Books & Publications	650	0	-650	
S012	Clothing, Uniforms & Laundry	9,890	0	-9,890	
S020	Printing Services	37,640	0	-37,640	
S030	Stationery	14,310	0	-14,310	
S032	Convenience Copier	7,790	0	-7,790	

Account	Account Name	Current NFDC Position	NFDC costs for external model	Savings/Additional costs	Notes
S040	Hired & Contracted	165,390	0	-165,390	
S046	Postages	10,820	0	-10,820	
S050	HPSN - Sockets (LY011)	16,700	0	-16,700	
S051	HPSN - Calls (LY011)	5,200	0	-5,200	
S052	Mobile Phones	470	0	-470	
S055	BT Telephones - Alarm Lines	10,400	0	-10,400	
S060	Computer Equipment Purchase	1,050	0	-1,050	
S062	Computer Equipment Maintenance	1,240	0	-1,240	
S080	Grants & Subscriptions	20	0	-20	
S084	Advertising	3,790	0	-3,790	
S086	Marketing	58,100	0	-58,100	
S100	Maintenance of Grounds	4,080	0	-4,080	
S122	Purchases - Cafeteria	47,840	0	-47,840	
S126	Purchases - Function	28,330	0	-28,330	
S130	Pet - Britvic	13,210	0	-13,210	
S131	Lucozade	10,520	0	-10,520	
S132	Purchases - Snack Vending	36,650	0	-36,650	
S133	Purchases - Water Vending	2,690	0	-2,690	
S134	Purchases - Hot Drinks	2,670	0	-2,670	
S136	Purchases - Ice Creams	1,590	0	-1,590	
S143	Purchases - Food Vending	2,150	0	-2,150	
S200	Credit Card Charge	19,160	0	-19,160	
S208	Chemicals	23,870	0	-23,870	
S210	Sports Equipment for Resale	84,550	0	-84,550	
S211	TSG Keys for Resales	20,000	0	-20,000	
S214	Cont to School/College	9,930	0	-9,930	
S216	Reprographics Stationery	1,550	0	-1,550	
S220	Criminal Records Bureau	21,050	0	-21,050	
S324	Securicor	16,350	0	-16,350	
S599	Healthy Living S & S Costs	4,000	0	-4,000	
Sxxx	Estimated 5 Centre Management Fee	0	1,661,530	1,661,530	Estimated external management fee
S999	Other	1,680	0	-1,680	
40 Supplies & Services		784,350	1,730,330	945,980	
A999	Corporate Costs (LH000)	262,930	254,930	-8,000	£8k savings in Audit - rest to be re-allocated
70 Support Services		262,930	254,930	-8,000	
C040	Leasing Equipment/Charges - IT	760	0	-760	
C042	Leasing Equipment/Charges - Leisure	135,570	0	-135,570	
C140	Depreciation	582,160	582,160	0	
C142	Depreciation Leisure	107,750	0	-107,750	
C150	Replacement & Renewals	55,450	0	-55,450	
80 Capital Financing		881,690	582,160	-299,530	
R006	Receipts From Other Funds	-22,340	0	22,340	
R172	Snack Vending Sales	-74,380	0	74,380	
R178	Ice Cream Vending Sales	-1,340	0	1,340	
R179	Commission - Mr Bean	-70	0	70	
R181	Hot Drink Vending Sales	-7,010	0	7,010	
R422	Contributions from other LA's	-350,380	-350,380	0	
R424	Fees & Charges	-4,280,040	0	4,280,040	
R510	Can Vending Sales - Britvic	-10,050	0	10,050	
R519	Primary Health Care Grant	-35,000	0	35,000	
R552	Can Vending Sales - Lucozade	-14,680	0	14,680	
R553	Can Vending Sales - Pet	-13,710	0	13,710	
R594	Water Vending Sales	-9,930	0	9,930	
R605	Healthy Living	-40,000	0	40,000	
R606	Shop Sales	-66,040	0	66,040	
R607	Party Food Sales	-46,330	0	46,330	
R613	Food Vending Sales	-3,090	0	3,090	
Rxxx	NNDR 75% Rate Relief Refund	0	-237,360	-237,360	Trust model gives 75% rate reduction
90 Income		-4,974,390	-587,740	4,386,650	
Grand Totals		3,046,490	2,492,440	-554,050	
Actual Saving Achievable				-554,050	

Notes;

There would be a transition period for things like depreciation of equipment where the NFDC costs would decrease and external fee would increase, the effect being a near balancing bottom line position. For now this is based on 100% DC costs.

Savings related to posts and any increased costs will impact on other services and portfolios when the allocations are reworked.

No provision has been made for redundancy costs associated with these costings.

In assuming Assis Dir post would be a saving - there would be no direct management/over sight of the Golf Course.

	Applemore	New Milton	Ringwood	Lymington	Totton	TOTAL
1 External estimated Operating Expenditu	1,414,570	982,010	1,315,610	991,230	1,106,700	5,810,120
2 External estimated Income	-1,219,930	-724,420	-1,015,340	-796,740	-874,730	-4,631,160
3 Estimated deficit (sum of above)	194,640	257,590	300,270	194,490	231,970	1,178,960
4 Regional Support (3.42% of income)	41,720	24,780	34,720	27,250	29,920	158,390
5 Profit/Contingency (7% of income)	85,400	50,710	71,070	55,770	61,230	324,180
6 TOTAL MANAGEMENT FEE	321,760	333,080	406,060	277,510	323,120	1,661,530
7 Depreciation	68,120	48,950	46,220	41,360	29,280	233,930

Notes;

- The Applemore figures are directly from the bid submitted by the other sites are based on extrapolation of that data mixed with some direct and fixed costs.
- Original income based on 05/06 info and not including HCC income, now 06/07 outturn income is being used + relevant HCC income. External proposals then factored into 5 centre version (including a re-calculation of the Applemore Info).
- This shows the calculated external model operating deficit and is the sum of line 1 + 2.
- The regional support fee is calculated on 3.42% of projected income, directly from the Applemore bid and then based on an extrapolation exercise for the other 4 sites.
- The profit/contingency figure is as above but at 7%.
- The total of £1,661,530 would be the estimated fee charged by an external provider to NFDC for the running of the 5 centres.
- There would be a transitional period where the depreciation charges to NFDC would decrease and the external provider charges and when the equipment is replaced. For the purposes of this exercise, external depreciation figures at 100% have been calculated and are included in line 1 and so form part of the management fee. The NFDC depreciation/R&R/Leasing charges cannot remain as cost to NFDC as in the long term NFDC wouldn't own any kit and in the short term this double counts as external proposal is also the depreciation of kit.