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### References

Leisure and Culture Commissioning Review – Report to CBC Cabinet (13th December 2011)

Opportunity of Devolution for Museums, Libraries and Archives (MLA)

## Contents

Document Control Sheet	2
Contents	3
<b>1. Introduction</b>	<b>5</b>
<b>2. Background to the Leisure and Culture commissioning review</b>	<b>6</b>
The council's approach to commissioning	6
Approach to the review - involvement of members	6
Approach to the review - working with partners	7
<b>3. The analysis phase</b>	<b>8</b>
Needs analysis	8
Resources / buildings	8
Priority outcomes	9
More ambitious financial targets	9
<b>4. The planning phase</b>	<b>11</b>
Options appraisal process	11
Long-list to short-list	11
Evaluation criteria	12
Essential criteria – pass or fail test	12
Desirable criteria	13
Initial Evaluation	14
<b>5. A moment of opportunities</b>	<b>16</b>
Option appraisal – final evaluation	16
New trust – additional evaluation criteria	16
New trust assessment	16
<b>6. Proposed Cheltenham Leisure and Culture Trust</b>	<b>18</b>
Objectives	18
Operation of the trust	18
Key Risks	18
Critical Success Factors	18
<b>7. Achievability</b>	<b>19</b>
Evidence of new trusts elsewhere	19
Business planning	19
Organisational Capacity	19
Organisational Capability	19
Implementation timeline	20
<b>8. Appendix 1.A - Leisure and Culture Review Commissioning Outcomes</b>	<b>21</b>
<b>9. Appendix 1.B – Risk Analysis</b>	<b>23</b>
<b>10. Exempt Appendix 1.C – Evaluation Details</b>	<b>28</b>
Non financial criteria evaluation	28
Non financial criteria evaluation - conclusion	29
Financial assessment	29

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	Summary financial appraisal	29
<b>11.</b>	<b>Exempt Appendix 1.D – New Trust Business Plan</b>	<b>31</b>
	Vision	31
	Fit with the Council's Strategy	31
	Key Benefits	32
	Financial information	33
	Business Growth	33
	Organisational Change	33
	Trust Delivery Model Savings / Costs	34
	Revenue Costs – Retained Organisation	34
	Set-Up Costs for new revenue generating income streams	34
	Capital Investment	34
	Additional One-Off Costs	34
	Pensions	35
	Support services	35
	Payback period	35
<b>12.</b>	<b>Exempt Appendix 1.E – Financial plan for new trust</b>	<b>36</b>
<b>13.</b>	<b>Exempt Appendix 1.F – Sensitivity analysis for the new trust financial plan</b>	<b>39</b>
<b>14.</b>	<b>Exempt Appendix 1.G – Financial plan for improved in-house model</b>	<b>40</b>
<b>15.</b>	<b>Exempt Appendix 1.H – Summary of options evaluation</b>	<b>42</b>

## 1. Introduction

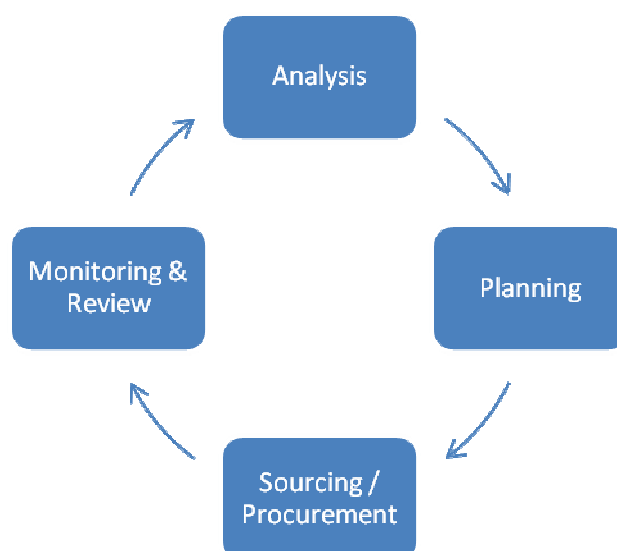
- 1.1. Cheltenham Borough Council (CBC) is a commissioning council. The Leisure and Culture (L&C) review is one of a number of strategic commissioning projects and incorporates the following service areas:
  - Leisure@ (including sport play and healthy lifestyles)
  - Prince of Wales Stadium
  - Art Gallery and Museum (including tourism and the Tourist Information Centre)
  - Town Hall
  - Pittville Pump Room
- 1.2. The services that fall within scope of the review are discretionary, i.e., the Council has a choice as to whether it provides the services or not. However, Members are mindful of the financial, social and economic contribution the services make to the local economy. Cheltenham's brand, identity and its international reputation is of a town with a rich and varied recreational offer, especially as a festival town.
- 1.3. Like many authorities CBC faces significant financial constraints and has been required to adopt a rigorous approach to finding year on year financial savings. Members have, however, been clear in their priority to maintain the level and quality of front-line services. In an effort to ensure that the Council focuses its capacity, resources and assets on those matters (outcomes) of most importance to Cheltenham, CBC has adopted a commissioning approach.
- 1.4. The L&C Review has now reached the conclusion of its options evaluation stage and is recommending that the option of a new leisure and culture trust is progressed with a view to providing the services that are in scope.
- 1.5. The purpose of this business case is to:
  - Explain the background to the L&C review and how it fits with the strategic direction of CBC (see section 2);
  - Provide a recap of the work undertaken in the analysis phase of the review and the recommendations made (see section 3);
  - Outline the process for the planning phase with a focus on the options appraisal and options short-listing (see section 4);
  - Explain how the appraisal led to the recommendation to proceed with the new trust option (see section 5)
  - Explain the objectives for the new trust, its key risks and critical success factors (see section 6)
  - Outline the financial impacts of the recommendation (see paragraph 7.3)
- 1.6. The project team has gathered a fairly extensive library of background documentation during the course of the review and in particular with regard to the option appraisal stage. Background documentation referenced within the business case is available upon request.

## 2. Background to the Leisure and Culture commissioning review

- 2.1. Over the last 2 years CBC has become a commissioning council. At the heart of commissioning is “place shaping”, where local authorities, like CBC, seek to respond to residents, communities and stakeholders by shaping services to deliver their ambitions, outcomes and aspirations. The commissioning mindset requires a ruthless focus on outcomes and agnosticism about service delivery arrangements.
- 2.2. Like many authorities, CBC faces significant financial constraints and has been required to adopt a rigorous approach to finding year on year financial savings. Commissioning helps the Council take a much more strategic approach to the delivery of services within a challenging financial context.
- 2.3. Over the last year the Medium Term Financial Strategy (MTFS) has developed into a much more strategic document which now articulates the planned savings which the Council seeks to achieve through commissioning, in essence it is now the Council’s commissioning financial strategy. The MTFS 5 year funding gap has risen to a range of £2.8M to £3.5M over the five year plan, depending on the financial settlement in December 2012 and the decisions made in setting a budget for 2013/14.
- 2.4. As leisure and culture are areas of discretionary spend there is a real danger that if it is not possible to find a sustainable and viable (financially and operationally) model of service delivery for the future, that Members will be forced to consider cutting some of the services within L&C
- 2.5. However, the financial context is more complicated than just a narrow focus on CBC’s MTFS gap. Stakeholders have been keen to point out the fact that the town’s recreational offer, comprising of both culture and leisure, bring wider social, economic, health and community benefits. For example, Cheltenham’s brand as a festival town is not just recognised regionally and nationally but internationally.

### The council’s approach to commissioning

- 2.6. The council has adopted a four stage approach to commissioning:



- 2.7. The L&C review is now at the conclusion of the “planning” phase, and the sections 3, 4 and 5 set out more detail about the analysis and planning phases.

### Approach to the review - involvement of members

- 2.8. A cross-party Cabinet Member Working Group (CMWG) has supported the commissioning review since May 2011. As the review has straddled election years

the composition of the group has altered and therefore it has been necessary to bring new Members of the group up to speed with the review as it has progressed.

- 2.9. The CMWG has played an important role in providing input and challenge to the whole review and in particular the options appraisal process. The CMWG was involved in the development of the evaluation criteria (see paragraph 4.10 below) and the project team has engaged with CMWG as the option appraisal process has progressed. The CMWG greatly assisted the project team by providing that critical friend challenge when considering the rationale for discarding options and questioning why certain delivery options have not been taken forward.

### **Approach to the review - working with partners**

- 2.10. Key partners have been kept up to date with the review as it has progressed. Informal briefings and updates have been provided by the project team, Cabinet Member and/or L&C team members, for example,
- CBC's strategic partnerships, e.g. Stronger Communities (now Positive Lives)
  - Art Gallery and Museum Development Trust
  - Cultural partners including Cheltenham Festivals and Everyman Theatre
  - University of Gloucestershire and other educational bodies
  - PCT and NHS partners
  - Funding bodies, e.g. Arts Council England, Sport England

### 3. The analysis phase

- 3.1. The analysis phase has three key stages;
- Key issues and needs - What do we know about the key issues affecting our communities and their current and future needs?
  - Resources and assets - What capacity, resources and assets do we have available to respond?
  - Priorities - What outcomes are most important / urgent for us to deal with?

#### Needs analysis

- 3.2. The needs analysis undertaken as part of the analysis phase of this review identified the link between our leisure and culture provision with wider health and wellbeing outcomes. The existing services work closely with partners and agencies, e.g. leisure works closely with the NHS delivering a very successful GP referral programme. There is also a well understood connection between arts provision supporting mental health outcomes for patients.
- 3.3. The needs analysis also links our leisure and culture provision with social and economic outcomes. There is some evidence that our services help build stronger and more connected communities, whilst also contributing to sustaining Cheltenham's thriving economy.
- 3.4. The analysis has identified a commissioning approach that also enables CBC to specify how its services will support wider health, social and economic outcomes for Cheltenham.

#### Resources / buildings

- 3.5. The currently projected cost for the services in 2013-14 is £2.98M including support services but excluding capital charges.
- 3.6. At the start of the review in 2010 Cabinet set a challenging financial target of a £690K p.a. saving by 2013-14 from either savings or increasing income. At the conclusion of the analysis stage of the review savings/additional income of £150K p.a. (subsequently reduced to £138K p.a.) were identified and built into the MTFS for 2012/13.
- 3.7. In early 2012, and as a precursor to identifying how the operational subsidy of Leisure@ could be further reduced, an independent high level service review was carried out to assess the Leisure service from the standpoint of service operation, quality of the leisure facilities and future plans. This work acknowledged the good performance of Leisure@ whilst identifying in particular the need for a sports facility strategy on which to base strategic decisions around the potential for future income growth. In addition, the review identified the need to undertake a feasibility study for the Prince of Wales Stadium (PoW).
- 3.8. Independent advice in relation to the options for commissioning the re-developed AG&M on a standalone basis was that:
- In the absence of an active market the chances of securing appropriate and experienced providers is lower than for the other services. The Museums Libraries and Archives (MLA) report<sup>1</sup> suggests that a business model for museums, and indeed the wider cultural sector, is "more complex...in terms of sustainability."

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<sup>1</sup> <http://www.nationalarchives.gov.uk/documents/information-management/the-opportunity-of-devolution-for-museums-libraries-and-archives.pdf>



- Specifically, there are fewer charitable trusts for museums in the local authority arena because the fiscal advantages are limited and can be disadvantageous.
- Looking at all services together increases the potential for economies of scale
- There are synergies with the other services which might well be lost. This point was also reflected in our consultation with key stakeholders.

Therefore it was agreed that the options appraisal should consider **all** CBC's leisure and culture services.

- 3.9. Feasibility studies into the future use and investment needs of the Town Hall and PoW have begun. The results from the studies are not necessary to the option appraisal at this time as any capital investment schemes brought forward will need to be supported by business cases.

### Priority outcomes

- 3.10. Whilst cabinet agreed to a provisional set of outcomes in July 2011, Cabinet was also keen to engage with as wide a range of stakeholders as possible to get their input into the creation of the outcomes for L&C.
- 3.11. Stakeholder consultation took place during September and November 2011 with a further report back to Cabinet in December 2011 leading to its endorsement of the L&C outcomes.<sup>2</sup>
- 3.12. The draft outcomes were substantially re-shaped following the consultation and became much more aspirational in their focus. The golden thread that runs through the outcomes is a "leisure and culture offer that inspires":
- The **Town Hall and Pittville Pump Room** aspire to be first class venues that ***inspire*** people through hosting a wide range of entertainment, events and festivals
  - Use the opportunity of the new **Art Gallery and Museum** to create an arts, heritage, learning and spiritual experience that will ***inspire***
  - More people are ***inspired*** to be physically, socially and mentally active and are able to enjoy life to the full (**Leisure**)
- 3.13. Whilst recognising and welcoming stakeholders' high aspirations for the venues and facilities, Cabinet also made it clear that realism needed to be brought to bear when looking at any future investment in the buildings. Cabinet therefore endorsed the following "cross-cutting" outcome:
- The Council generates the greatest return (financially, economically and socially) from its investment in the buildings
- 3.14. The revised outcomes (primary and secondary) were approved by Cabinet on 13<sup>th</sup> December 2011 (see Appendix 1.A - Leisure and Culture Review Commissioning Outcomes) and shared with stakeholders.

### More ambitious financial targets

- 3.15. As part of its normal financial planning, the Council has continued, through the Bridging the Gap (BtG) programme, to update and monitor its MTFS. The MTFS gap has grown worse since July 2011.
- 3.16. Therefore, the Cabinet recognised the need for the L&C services to contribute further to the budget deficit and in the summer of 2012 revised the target for subsidy reduction to between £500K p.a. and £700K p.a. by 2017/18. That reduction in

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<sup>2</sup> Cabinet, 13 December 2011 – Leisure and Commissioning Review

subsidy is in addition to the savings identified at the conclusion of the analysis phase (see paragraph 3.6 above).

## 4. The planning phase

4.1. The planning phase has two key stages:

- Options
  - To identify the service delivery options that will meet the needs and priorities identified in the analysis stage within the agreed resource frameworks
  - To evaluate options in a fair and consistent way so as to identify the best option that can deliver the priority outcomes and deliver value for money and improved performance.
- Strategy - What are we going to do and how are we going to do it?

4.2. This section of the business case describes the option appraisal process and sets out the proposed strategy for taking the preferred option forward.

### Options appraisal process

4.3. Working with our independent advisers, the project team identified the following 9 service delivery options:

- In-house
- Closure/part closure
- Private sector outsourcing
- Social enterprise
- Shared service
- Wholly owned local authority company
- Public/private joint venture
- Charitable Trust
- Parish Councils

4.4. The project team has carried out research across the leisure and culture sector to establish the variety of delivery models implemented by other councils.

4.5. The process of analysis to determine which options to keep and which to discard is an iterative one. The process started with discounting unfeasible options fairly quickly and then moving on to researching options and some soft market soundings.

### Long-list to short-list

4.6. Option appraisal short-listing was carried out in consultation with the CMWG. It commenced with working with the CMWG to agree the evaluation criteria and working through the potential options, discounting options based on both local information as well as the evidence gathered in the case studies.

4.7. On initially presenting the long-list to the CMWG they fairly quickly agreed the following list of options with their “keep” or “discard” status as outlined below:

Options	Keep/Discard with Reason
In-house	Keep – Members recognise the value of the services to Cheltenham and its brand, identity and economic and social well-being
Closure/part closure	Discard – Members wished to consider alternative options to provide for a sustainable future for the services before embarking on consideration of this as an option
Private sector outsourcing	Discard – Desire to avoid a provider primarily motivated by deriving financial (shareholder) profit although aware that this approach is very prevalent in the leisure industry
Social	Discard – No interest has been so far indicated by social

enterprise	enterprises or other local groups to operate the leisure and cultures services on offer. Employees have also not expressed an interest via a social enterprise or an employee-led mutual model in operating the services. (Note however that some charitable trusts describe themselves as 'social enterprises' and have been considered below).
Shared service	Discard – In discussions with other authorities in the county, no interest was expressed in sharing leisure or culture services
Wholly owned local authority company	Discard – This model cannot achieve charitable status and cannot therefore access essential fiscal benefits. It has no distinctive advantages for leisure and culture services. An example of this model is Ubico.
Public/private joint venture	Discard - Similar to private sector outsourcing in avoiding profit-motivated entities, but also evidence shows that this option is not well rehearsed in the sector and therefore has been disregarded. It is however recognised that some parts of individual services may use this approach.
Charitable trust	Keep – This model is used widely in the sector and is used already in Cheltenham, e.g., Everyman, Lido, Cheltenham Festivals
Parish council	Discard – Little expertise in delivering these services

4.8. This left two options: in-house and the charitable trust option. Following further work with our independent advisers and the project team, the charitable trust option was further explored and three further iterations of that model put forward to give the following short-list of options:

- In-house
- New charitable trust for all services
- New charitable trust for leisure (with culture in-house)
- Existing charitable trust for leisure (with culture in-house)

4.9. The reason for considering keeping culture in-house in 2 of the options was that a question remained outstanding as to the long-term direction for the Town Hall and Pittville Pump Room venues as it was not clear, at the start of options appraisal, how the venues would create strategic relationships with other key cultural providers in the town.

### Evaluation criteria

4.10. Evaluation criteria are the factors against which alternative models of delivery have been assessed. Criteria are individual to each commissioning review as they need to reflect what is important in the particular circumstances. Criteria can be deemed as “essential” or “desirable”. The CMWG were keen to see both sets of criteria used in the assessment process.

### Essential criteria – pass or fail test

4.11. “Essential” criteria describe things over which there is no negotiation, the criteria must be met otherwise the option falls away. The CMWG decided there should be 4 essential criteria:

- Freeholds of properties to be retained by CBC
- AG&M must be able to fulfil obligations to the Heritage Lottery Fund
- AG&M exhibits/heritage assets to be retained by CBC and protected
- Ability to deliver CBC’s corporate objectives

## Desirable criteria

- 4.12. “Desirable” criteria are attributed a weighting to signify their importance to the assessment process. Desirable criteria have been sub-divided into “financial” and “non-financial” and weighted 60% (financial) and 40% (non-financial). The higher percentage given to financial criteria reflects the need for the chosen option to contribute in a significant way to reducing CBC’s financial budget gap.
- 4.13. When it came to selecting non-financial criteria, evidence from case studies and research was used. The project team and CMWG identified the following as important factors:
- Evidence of alternative delivery arrangements for L&C services being successful
  - Sound governance to underpin the delivery of the desired outcomes
  - The Council’s financial position and access to funding streams not necessarily available to local authorities
  - Evidence of models of delivery that assist in building strong communities and engaging with hard to reach groups
  - The prospect of increasing further the economic well-being of Cheltenham by working closely with other stakeholders in a spirit of collaboration for the good of the town and the local economy as a whole
  - Evidence of sound business skills, knowledge and expertise focussed on delivering a high standard of service quality
- 4.14. Taking the above into account, the following desirable criteria were developed:

Financial Criteria (60%)	Weighting
<b>Positive impact on the MTFS</b> over the next 5 years	<b>30%</b>
<b>Set up costs</b> – reflects the fact that CBC will need to invest in setting up any new delivery arrangements (one-off costs)	<b>5%</b>
<b>Maximise income and optimise operational costs</b> – net operating income and costs, does not include taxation savings	<b>15%</b>
<b>Ability to transfer financial risks</b> away from CBC	<b>10%</b>
Non-Financial Criteria (40%)	
<b>Options need to demonstrate a successful track record</b> – evidence of actual performance or accomplishment in the delivery of leisure and culture services	<b>10%</b>
<b>Options need to demonstrate appropriate governance to deliver outcomes</b>	<b>5%</b>
<b>Options need to be able to raise funds</b> – evidence of being able/having access to a wide range of funding/funders	<b>5%</b>
<b>Options need to demonstrate proactive community engagement</b> – evidence of working in a way that delivers outreach, builds community capacity and increases participation	<b>5%</b>
<b>Options need to demonstrate economic well-being for Cheltenham</b>	<b>5%</b>
<b>Options need to demonstrate sound business management, service quality and technical knowledge</b>	<b>10%</b>

- 4.15. The outcomes (see Appendix 1.A - Leisure and Culture Review Commissioning Outcomes) were important touchstones when the non-financial assessment of

options was carried out. The outcomes provided a frame of reference for thinking about the ability/capacity for options to deliver what was important to Cheltenham as highlighted by Members and stakeholders.

## Initial Evaluation

- 4.16. The evaluation of the short-listed options took a 2 stage approach;
- (a) Initial option appraisal
  - (b) Final option appraisal
- 4.17. The short-listed options (see paragraph 4.8 above) underwent initial evaluation in the early summer of 2012.

### Initial evaluation – essential criteria assessment

- 4.18. All the options met the essential non-financial criteria, i.e.
- Freeholds of properties to be retained by CBC
  - Fulfilment of obligations to HLF secured (AG&M specific) Museum exhibits/heritage assets to be retained by CBC and protected
  - Ability to deliver CBC's corporate objectives

### Initial evaluation - financial assessment

- 4.19. The financial assessment concluded that, based on the information available at that time, none of the options delivered the required level of financial saving which the Cabinet is seeking to achieve. Whilst on the face of it the creation of a new trust for all services delivered the largest incremental benefit to the MTFs, its payback period did not, on the projections put forward, fall within the range acceptable to the Council.
- 4.20. The creation of a new trust for leisure only was not financially viable as it lacked the economies of scale which combining the services within one organisation delivered.
- 4.21. It proved difficult, and has continued to do so, to develop with a degree of confidence the financial appraisal of an existing trust provider. However, what had been established through case studies and soft market soundings is that there is market interest in the services in scope of the review and therefore it was still an option which should not be discounted at this initial evaluation stage.
- 4.22. It was clear that further work was necessary to improve the financial robustness of both the in-house and new trust options in particular with regard to the following:
- **Pension Costs** - It was recognised from other commissioning reviews, e.g., the creation of Ubico, that it would be important to establish as fully as possible the impact on pension costs for CBC corporately were a new trust to be recommended. Whilst the finance team were able to make estimates as to the impact of pension costs actuarial advice was necessary based on actual staff information.
  - **National Non-Domestic Rates (NNDR)** - Government guidance on the future of charitable NNDR relief was in a state of flux with great uncertainty as to what it might mean from a financial appraisal point of view both to the trust and CBC. Previously, charitable bodies had benefited from 80% mandatory charitable rate relief. In the case of L&C services NNDR costs are c£400K p.a. therefore the removal of this potential financial benefit needed to be understood more clearly before any decision could be made.
  - **VAT (Charitable Trust)** - Services closely linked with and essential to sport or physical recreation are exempt from VAT when provided by a charitable trust. When provided by the Council these services are Standard Rated.  
  
The financial benefit for a Trust is that the same charge could be made for services as when they were run by the Council, but the Trust could retain 20% of the charge instead of paying it over to HMRC as Output VAT.

However, Input VAT on supplies connected with Exempt services is irrecoverable and therefore there is cost to the trust by way of VAT on purchases.

The net effect is favourable to the Trust and therefore provides a financial benefit which is unobtainable by the Council.

- **VAT (Council)** - The Council is required to stay within a de minimis level in terms of its partial exemption. The impact on this limit was considered but deemed to not be influential given the establishment of a trust would transfer much of the council's exempt income out of its de minimis calculation and therefore relieve some pressure.

4.23. **Other Costs** - More research was needed to quantify any additional set up costs not factored into the original financial modelling, e.g., governance, senior management costs. In addition further thought was necessary around the level of contingency costs that needed to be built into a new trust financial model together with how to deal with support service costs.

#### **Initial evaluation - non-financial assessment**

4.24. The conclusion of the evaluation of the non-financial criteria was inconclusive and overall the non-financial scores were very similar. It was clear that in the final option appraisal process that some more rigorous calibration of the scoring was needed.

#### **Initial evaluation – Conclusions**

4.25. A new charitable trust for leisure (culture in-house) was discounted on the grounds of its lack of affordability and the loss of synergies across the portfolio of services

4.26. Separating leisure from culture would not be financially viable due to the lack of economies of scale – **critical decision point**.

4.27. Therefore it was agreed that the options to be considered in the final evaluation would be:

- In-house
- New charitable trust for all leisure and culture services
- Existing trust for all leisure and culture services

## 5. A moment of opportunities

- 5.1. At the same time as the initial option appraisal work was happening a number of opportunities appeared to be opening up with cultural partners. For example, CBC was starting a dialogue with some of its strategic partners regarding the capital investment feasibility study for the Town Hall whilst informal offers of discussions on better collaborative working in back-office areas (marketing, promotions, box office, etc) also appeared to be opening up.
- 5.2. These new opportunities engendered a sense of confidence in the ability of a new trust to deliver the desired outcomes and a sense of confidence from the in-house team that they would be best placed to lead the proposal to develop a new trust.
- 5.3. With the consent of the Cabinet Member and CMWG, the in-house L&C team was tasked with explaining how, through a new trust for all services, it would wish to see the services developing in the future and the synergy that a new trust for all services might bring.
- 5.4. The need to achieve economies of scale meant that the existing trust option broadened into a general consideration of the capabilities of such an organisation delivering all of the current L&C services rather than the original more narrow definition of leisure only.

### Option appraisal – final evaluation

- 5.5. With the new trust for leisure only option having fallen away this meant that the objectives of the final evaluation stage were:
  - Create a formal proposal for the creation of a new trust to operate CBC's current leisure and culture services
  - Evaluate the new trust proposal against other options (in-house and existing trust for all services)
  - Decide next steps

### New trust – additional evaluation criteria

- 5.6. As described in the previous section, the option of a new trust for all L&C services had not, in the initial evaluation, met the financial target set by Cabinet. Therefore, when acceding to the request to re-present the option, the project team wanted to thoroughly test the reasoning and financial case.
- 5.7. So, in addition to the criteria already outlined in paragraphs 4.11 and 4.14 above, 3 additional criteria were agreed as needing to be met by the new trust option:
  - **Unique selling points (USP) of a new trust** – the new trust proposals must describe how it will be different from other options being considered
  - **Confidence in a new trust** – the new trust proposal must engender confidence that it will be delivered and operated successfully
  - **Contribute to the MTFS** – Proposals must generate £500K to £700Kpa financial savings by 2017-18 and return on investment be at least 5% for invest to save schemes

### New trust assessment

- 5.8. On 16 October 2012 the L&C management team presented their draft business plan for LCT Cheltenham a new charitable trust to deliver the services within scope of the L&C review. An abridged version of the presentation was given to the CMWG on 12 November 2012 and to a briefing offered to all members on 21<sup>st</sup> November 2012.
- 5.9. In order to have a viable proposition to compare against both the in-house and the existing trust options, the business plan had to be assessed for its credibility and deliverability. The clarification process, involving the L&C management team, the project team and the Cabinet Member was carried out over a 3 week period



culminating on 5 November when the project board considered the outcome of the option appraisal process.

- 5.10. During the clarification period more than 110 clarification questions were asked and answers were given to all those which impacted the evaluation process. (Other questions have been taken account of in implementation plans and in the risk analysis linked to this business plan).
- 5.11. Having carried out the clarification process the view of the project team and Cabinet Member was that the new trust proposal represented a credible and deliverable proposition for delivering L&C services in the future.

## 6. Proposed Cheltenham Leisure and Culture Trust

### Objectives

6.1. Cheltenham Leisure and Culture Trust would be created to deliver the leisure and culture outcomes already agreed by the council (see Appendix 1.A - Leisure and Culture Review Commissioning Outcomes). It would take over the management of the services currently operated by CBC:

- Leisure@ (including sport play and healthy lifestyles)
- Prince of Wales Stadium
- Art Gallery and Museum (including tourism and the Tourist Information Centre)
- Town Hall
- Pittville Pump Room

### Operation of the trust

6.2. It is intended that the trust would be formed as a Charitable Company Limited by Guarantee (CCLG) led by a board of eleven trustees. Two of the eleven trustees would be CBC councillors.

6.3. The trust would agree its objects and register as a charitable body.

6.4. The council and the new trust would enter into a number of agreements including:

- Heads of terms for Funding and Management Agreement
- Heads of terms for Leases
- Heads of terms for Collection Agreement
- Heads of terms for Support Services Agreement
- Heads of terms for Transfer Agreement including TUPE and pensions provisions

### Key Risks

6.5. A full analysis of risks linked to the creation and operation of a new charitable trust is included in Appendix 1.B – Risk Analysis on page 23.

6.6. In identifying risks and setting out how we propose to deal with them the review has taken into account independent advice on why other trusts in this sector have succeeded and the reasons for a number of failures.

6.7. The most significant risks are:

- that the review does not engage fully or successfully with the stakeholders outside the council
- optimism bias in the business plan for the new trust
- delays due to lack of internal council and trust capacity to implement the new trust

### Critical Success Factors

6.8. The critical success factors for the proposed new trust would be:

- The implementation of the new trust meets the target savings in council subsidy identified (see paragraph 3.16 above)
- The new trust delivers the desired outcomes for the benefit of the community (see Appendix 1.A - Leisure and Culture Review Commissioning Outcomes)
- The new trust sustains the support of its key stakeholders – including partners, funding bodies, trustees, staff and the council

## 7. Achievability

### Evidence of new trusts elsewhere

- 7.1. Our research and the independent advice we have received demonstrate that new trusts set up by councils have been able to reduce taxpayers subsidy, whilst taking a proactive approach to improving and developing services and being able to establish close working relationships with the local authority: Some examples are:
- A sports and cultural trust has delivered a reduction of a £2M council subsidy to around £1.6M since its creation in October 2008 and is aiming for a further reduction to £1M over the next four years whilst raising an investment of £850K into its leisure facilities in its first two years.
  - A sports trust, created by a local council in 2005, has been able to reduce the authority subsidy from £1.4M to £500K by 2010/11 based on increased gym membership and other income and reduced running costs. Improvements to staff terms and conditions have resulted in greatly reduced sickness absence with significant cost implications.
  - A leisure and culture trust established in a town in April 2010 realised an immediate taxation saving of £500K and is delivering a further 3% annual reduction in the council's subsidy.
- 7.2. Successful new trusts tend to emphasise the importance of changing the organisational culture, becoming more commercial and of establishing strong partnerships.

### Business planning

- 7.3. The financial plans (see Exempt Appendix 1.E – Financial plan for new trust) which underpin the case for the new trust are prudent. They include contingencies and their treatment of savings and costs is realistic. They have been subjected to a sensitivity analysis, see Exempt Appendix 1.F – Sensitivity analysis for the new trust financial plan.

### Organisational Capacity

- 7.4. The council would be looking to create the new trust alongside several other important corporate projects including the redevelopment of its Art Gallery and Museum. These projects demand the involvement of the same teams, both in the Leisure and Culture services themselves and in support services such as Finance and HR.
- 7.5. Anticipating the resourcing issues that this will generate, one-off set-up costs have been included in the new trust's financial plan to cover backfill arrangements.
- 7.6. Nonetheless it is vital that the corporate resource planning process addresses the cumulative effect of running projects in parallel alongside 'business as usual' workloads.
- 7.7. For the time being and until the corporate picture is reviewed, the outline implementation timeline included below should be regarded as indicative only.

### Organisational Capability

- 7.8. Since the council has rarely looked to set up a charitable trust on this scale, it will undoubtedly need some technical support. The costs of acquiring support are included as one-off set-up costs in the financial plan.
- 7.9. As staff transfer from the existing direct operation, the new trust will look to retain the skills that it needs. Once established it will need to review its capabilities to ensure it is able to operate as an independent organisation.

## Implementation timeline

7.10. The main steps in the implementation process would be as follows:

- Cabinet agreement to progress the option of a new Leisure and Culture Trust and council agreement to fund set-up costs need to be given. It is envisaged that at a later date, cabinet will be asked to agree the formal arrangements for the new trust and any substantive changes to its business plan.
- Procurement (to which the new trust would respond)

And, subject to the outcome of the procurement (many of the steps overlap and the order below is not intended to be sequential):

- Recruitment and training of trustees (including member trustees)
- Agreement of the trust objects and registration with the Charity Commission
- Staffing the new trust including transfer (according to TUPE regulations) of existing staff
- Agreement of operational processes for the new trust (including HR policies, use of systems, sourcing arrangements for support services etc)
- Update to business (including financial) plans
- Development of formal and informal relationships with key partners and stakeholders
- Agreement of the formal relationship between the proposed trust and the council (including the funding and management agreement and other agreements, arrangements for monitoring the new trust)
- Trust launch

7.11. A plan with internal resourcing implications will be developed and will be completed once the resourcing requirements of this and other key corporate objectives have been quantified. There are some inherent uncertainties within the plan, notably recruitment timescales.

7.12. External advice suggests that a new trust could be set up within six months though in practice most new trusts appear to have been created within twelve to eighteen months of the decision being taken.

7.13. The financial plan for the new trust envisages benefits beginning to be generated during 2014/15.

7.14. During the next stage of the review the council's standard project management methodology will continue to be used to direct the procurement process and, subject to its outcome, the subsequent implementation of the trust.

## 8. Appendix 1.A - Leisure and Culture Review Commissioning Outcomes

<b>Cross-Cutting Outcomes</b>	
The Council generates the greatest return (financially, economically and socially) from its investment in the buildings	

<b>Town Hall and Pittville Pump Room</b>	
<b>Primary Outcome</b>	The Town Hall and Pittville Pump Room aspire to be first class venues that inspire people through hosting a wide range of entertainment, events and festivals
<b>Secondary Outcomes</b>	<ul style="list-style-type: none"> <li>• Grow and develop existing audiences and visitors that use the Town Hall and Pittville Pump Room and provide access to a diverse range of entertainments and activities</li> <li>• Increase the number of people that enjoy new experiences whilst acquiring valuable skills and knowledge</li> </ul>

<b>Art Gallery and Museum</b>	
<b>Primary Outcome</b>	Use the opportunity of the new art gallery and museum to create an arts, heritage, learning and spiritual experience that will inspire
<b>Secondary Outcomes</b>	<ul style="list-style-type: none"> <li>• More diverse audiences are introduced to, and participate in heritage activities by specifically targeting six key audiences</li> <li>• Increase visitor engagement, participation, learning and enjoyment</li> <li>• More people are engaged in a range of voluntary activities</li> <li>• Use the opportunity of the new art gallery and museum to act as a catalyst to develop the economic resilience of arts and crafts organisations through improved relationships and connections</li> </ul>
<b>Heritage Lottery Fund outputs</b>	<p>In overall terms the development will provide the following:</p> <ul style="list-style-type: none"> <li>• Picture gallery</li> <li>• Public archive and other study areas</li> <li>• Flexible and temporary exhibition galleries</li> <li>• Dedicated space for formal and informal learning</li> <li>• Improved facilities for outreach, lifelong learning and arts development</li> <li>• Improved (on-site) stores and workshop facilities</li> <li>• Improved public access for visitors with mobility or other difficulties; A new integral pedestrian link – running between Clarence Street and Chester Walk – which will provide a “new gateway” to Cheltenham’s oldest building, medieval St Mary’s Church</li> <li>• A new home for the town’s tourism services</li> </ul>

<b>Leisure@ (including PoW), Sports Play and Healthy Lifestyles</b>	
<b>Primary Outcome</b>	More people are inspired to be physically, socially and mentally active and are able to enjoy life to the full
<b>Secondary Outcomes</b>	<ul style="list-style-type: none"><li>• More people are supported to make the right lifestyle choices to manage their own health</li><li>• More people enjoy new experiences whilst learning valuable skills and knowledge</li><li>• More families are able to be together to enjoy a range of fun leisure activities</li><li>• More people are active and lead healthy lifestyles by participating in positive leisure activities that they are able to access at affordable prices with a particular focus on older people, children and young people, disabled people (both children and adults), black and minority ethnic groups and people from lower socio-economic groups</li></ul>

## 9. Appendix 1.B – Risk Analysis

The risk				Managing risk			Transferred to risk register				
Risk ref.	Risk description	Risk Owner	Date raised	Original risk score (Impact x likelihood)	Control	Action		Deadline	Responsible officer		
				Impact 1-5 Likelihood 1-6 Score							
<b>Members and Stakeholders</b>											
1.1	If the objectives of members are not aligned with those of the officer team, then the potential benefits of the review may not be realised	Pat Pratley	15/09/2010	4	2	8	Reduce	Regular contact maintained with the Cabinet Member at Project Board meetings  Cabinet Member Working Group has been used to test members' views on desired outcomes, options, assessment criteria and recommendations.  Additionally, consultation on new trust proposal has taken place with all members.  Member views are reflected in the recommendation and members would be engaged at key points during implementation.	Ongoing	Pat Pratley / Sonia Phillips	Yes
1.2	If the review is unable to engage fully or successfully with all stakeholders outside the council, opportunities may be missed, e.g. for	Pat Pratley	15/09/2010	4	3	12	Reduce	Risk has been balanced against the risks of premature engagement and was accepted in stage 1 of the review.  Ensure funding partners' e.g. HLF, expectations are met.	Ongoing	Sonia Phillips / Richard Gibson	Yes

	gaining community support for outcomes and for a holistic understanding of provision across the town.								Consultation with key stakeholders took place in autumn 2011 on proposed outcomes and in autumn 2012 on the new trust proposal. Their views have been taken into account throughout the review.		
<b>Business and Financial Planning</b>											
2.1	If the business plans put forward are too optimistic then it may not be possible to deliver them and the proposed new trust may not be a success	Pat Prately	05/11/2012	4	3	12	Reduce	<p>Business plans have been developed based on discussions with existing trusts and case studies of trusts (both successes and failures)</p> <p>Business plans have been scrutinised by the internal review team and by an independent consultant. More than 100 questions have been raised, those with a direct bearing upon the evaluation have been answered whilst the others have been used to inform this risk analysis and will be monitored during the later stages of the review.</p> <p>Prudent financial plans have been produced with realistic estimates of income growth and savings through restructures. Financial plans</p>	Ongoing	Sonia Phillips  Jane Griffiths  Sarah Didcote	Yes



2.2	If future investment needs are not taken into account then the business plans may not be realistic	Pat Pratlley	10/04/2012	2	3	6	Reduce	Reduce	Only gym equipment replacement has been included in the business plan.  Other investment proposals may be generated by the current feasibility studies on the Town Hall and on Sports Facilities for example, and will need to be assessed in their own right  Options evaluation has taken into account the ability of different models to attract investment funding.	Ongoing	Sonia Phillips	Jane Griffiths															
2.3	If there is insufficient internal capacity or if other factors lengthen timescales then realisation of benefits may be delayed.	Pat Pratlley	21/06/2011	3	4	12	Reduce	Reduce	The new trust proposal includes an approximate timeline which will be verified and modified as part of the council's standard resource planning process.  Finance for backfill to support set-up is included within the business plan.  The council's PRINCE2 project management method will be used to control benefits realisation and plans.	Ongoing	Ken Dale																

Procurement											
3.1	If the procurement process identifies an alternative provider then the realisation of benefits may be delayed.	Pat Pratley	05/11/2012	3	2	6	Accept	In the event of an alternative approach being recommended, revised plans would be taken to Cabinet for agreement. No assumptions about financial impacts have yet been built into the council's MTFs.	Summer 2012	Shirin Wotherspoon / Angela Cox	Yes
Management and Governance											
4.1	If the Council does not establish robust governance and monitoring procedures then difficulties in the proposed trust's operation may not be identified at an adequately early stage	Pat Pratley	05/11/2012	4	2	8	Reduce	The proposed trust would be led by a board of trustees and a senior management team which would be selected to ensure robust governance. Existing Council mechanisms – Scrutiny, Audit Committee – would be used to monitor the trust. Routine meetings between the trust, the CBC Cabinet Member and other key partners would identify problems. Budget and officer resource for client monitoring would be set aside within the Council.	Early 2013	Pat Pratley	Yes
4.2	If the proposed trust's management team are not experienced in the	Pat Pratley	05/11/2012	4	2	8	Reduce	The current management team would be able to TUPE into the new organisation.	Early 2013	Julie McCarthy	Yes

	sector and able to operate independently and competitively then the trust might not deliver its business plan								Trustees would be able to determine the structure of the senior management team and grow its strength over time if appropriate.	Ongoing	Trustees	
Reputation												
5.1	If the proposals arising from the review are unpopular there may be significant reputational damage to the council	Pat Pratlley	15/09/2010	2	4	8	Reduce	Stakeholders have been consulted at key stages of the review. The proposal and the reasons for it will be communicated through the media and a proactive communications plan is planned to support the implementation.	End 2012	Richard Gibson	Yes	