

 Finance and Audit Scrutiny Committee 7 February 2017		Agenda Item No. <h1 style="text-align: center;">6</h1>
Title	Update on the support cost savings as a result of the management arrangements at Leisure Centres	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers		

Contrary to the policy framework:	Yes/No
Contrary to the budgetary framework:	Yes/No
Key Decision?	Yes/No
Included within the Forward Plan? (If yes include reference number)	Yes/No
Equality Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive	23/1/2017	Andy Jones
Head of Service	23/1/2017	Mike Snow
CMT	23/1/2017	
Section 151 Officer	23/1/2017	Mike Snow
Monitoring Officer	23/1/2017	Andy Jones
Finance	23/1/2017	Mike Snow
Portfolio Holder(s)	23/1/2017	Peter Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?	Yes/No	
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 This report has been requested by Finance and Audit Scrutiny Committee to confirm the impact on Support Services of the outsourcing of the management of the Council's Leisure Centres and the savings that will be able to be made.
- 1.2 Work on the Leisure Options review has been on-going for several years. Overall this is expected to release savings currently estimates at around £1.3m.

2. Recommendation

- 2.1 That the Committee note the report.

3. Reasons for the Recommendation

- 3.1 Whilst the Council's leisure centres have been operated internally, the service has been very reliant on support services from across the Council. In total the recharges from the central support service units to leisure centres come to around £300,000. The primary services are:-

	Employee Costs £	Other direct costs £
Finance	28,000	8,000
Property Services	13,000	7,000
Warwick Plant Maintenance	66,000	25,000
Human Resources	75,000	25,000
Media	11,000	4,000
ICT Services	20,000	11,000
H&PS Business Support	7,000	1,000

- 3.2 Ahead of coming to these figures, a review of support service recharges was undertaken by the Strategic Finance Manager with all support service providers. This entailed a detailed scrutiny of the work provided for the leisure centres and the basis for which this work was recharged (eg time recording, head count etc).
- 3.3 As the new operator of the leisure centres will be providing their own support service costs, it is necessary for the Council to seek to reduce these costs on the basis that:-
- The services provided are no longer required.
 - If the costs are not reduced, the cost will need to be recharged to other services, so increasing their cost.
 - Not to reduce these costs will mean they will represent an additional cost to the Council which will serve to reduce the overall savings that will accrue from the Leisure Options work.
- 3.4 Whilst the principle of seeking to reduce these costs is fully accepted across the Council, in many cases this will not be possible due to:-
- The demand for work from some support services has continued to increase. With reduced work being provided to support leisure centres, it is possible for an improved service to be provided in line with the demand.

- For many support services there is a “central cost” which will remain whatever the overall demand for work from support service from front line services. Examples of this may include:-
 - Cost of maintaining a central ICT infrastructure
 - Cost of maintaining and updating HR policies
 - Cost of central systems (eg Financial Management System)
 - Cost of producing the Council’s Annual Statement of Accounts.

3.5 Accordingly, detailed discussions have been held with the Deputy Chief Executive (AJ) and the relevant Heads of Service to determine the extent to which it is will be realistic reduce these costs. The results of this are shown below:-

	Employee Costs £	Other direct costs £
Finance	28,000	8,000
Housing & Property Services	66,000	24,800
Human Resources + Media	7,000	2,500
ICT Services		6,700
Total	101,000	42,000

3.6 Whilst these figures are in some cases substantially below the sums being charged, it is important to be realistic as to what can be saved without the savings impacting upon services and the legal requirements upon the Council.

3.7 To make many of these savings it will be necessary for the relevant service to review its operations, service demands and future staffing structures. These reviews will need to be incorporated into the 2017/18 Service Area Plans. These plans are due to be presented to members in April 2017.

3.8 Members will be informed on the progress on making these savings as part of future Fit For the Future reports and if relevant within future Budget Review reports.

3.9 With many Fit For the Future projects currently on-going, demand for the some support services is not likely to reduce in the short term. However, it is possible that in due course savings above those in the above table may be able to be generated.

3.10 In addition to the Council-wide support services, services were also provided to the leisure centres from central staff within Cultural Services. The recent redesign of the client function will realise further savings of £87,000 (Support) and £76,000 Staff).

4. **Policy Framework**

4.1 **Policy Framework** – This report is in accordance with the Council’s Policy Framework.

4.2 **Fit for the Future** – The Leisure Options project has been part of the Fit For the Future programme for some years. The further projects for the support services charges being reviewed in 2017/18 will within the Support Service Plans and the Fit For the Future update due to be presented to members in June 2017.

5. Budgetary Framework

- 5.1 Overall the Leisure Options project has released substantial savings in the costs of operating the Council's leisure centres. Net savings of £285,000 per annum have been made in the cost of the current operations. Work on procuring a new operator for the centres will generate a concession payable to the annual Council, in addition to the costs that will be saved in the Council not directly running them. These net savings are estimated at £986,000, including the savings in paragraphs 3.5 and 3.9. Once the annual borrowing costs are allowed for (estimate £486,000), the net total savings are approaching £1.3m per annum.
- 5.2 The proposed Budget and the Medium Term Financial Strategy being considered by members allow for these budget changes.

6. Risks

- 6.1 If it is not possible to make the support service savings detailed earlier, this will present an additional budgetary pressure on the Council, which will increase the level of savings still to be found.

7. Alternative Option(s) considered

- 7.1 As the report is for information purposes, no alternative options are proposed.