

# Options appraisal of the future management arrangements for Community Centres in Crawley

Draft Report

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## **1 Introduction**

In total there are 14 community centres across the district, with Bewbush Centre being currently constructed.

The aim of the service, described in the 2001 Best Value Review, is described as:

'To contribute towards the quality of life in Crawley by providing an efficient and effective network of Community Buildings'.

The financial objective is 'To ensure that the service is managed as efficiently and effectively as possible so that the net subsidy payable by the Council is reduced by 10% over the next 5 years. Usage targets were 'To increase usage of the Community Centres, and specifically to increase usage by key groups within the community.'

It was noted that in 2000/01 the subsidy of the then 16 centres was £651k including capital charges of £336k, therefore the aim was to reduce the subsidy to £586k within the 5 years.

At the time it was stated that 'Debate around the "halls for hire" -v- "community benefit" aspects of the service surfaced throughout the review and these issues were closely examined against a background of challenge, not only from a best value perspective, but also with regard to the Council's corporate asset management responsibilities.'

It was assessed that 'Not only are they (the community halls) available to accommodate area meetings and consultations, but potentially they have the capacity to serve as a focal point for promoting community services and initiatives.'

The review suggested a banded system of pricing that gave subsidised prices to Community, Health and Education (non profit) groups that include play groups etc, then a private / family social price and a commercial price. It appears that this system has been broadly in place since this review.

It appears that these broad aims of the service are still relevant although the service is judged to have moved on considerably since this review.

## **2 Analysis of current service performance**

The current Community Centres service is managed by Rob Channon, with a team of 3FTE community centre officers and a supervisor. Cleaning is undertaken by contract cleaners.

The client team believe that resources have always been limited, with concentration being given to health and safety, operational and quality service issues as opposed to direct marketing opportunities. However with the opening of the new Bewbush centre, the re-allocation of staffing resource will allow focus to be on development of activities. The aim would be to:

- Utilise the community centres as venues for neighbourhood service delivery
- Provide activity programmes and classes to meet local need and gaps; children's holiday activity programmes and health and fitness programmes.

A summary of the financial position of the centre are provided in Table 1 below.

**Table 1**  
**Current Performance of Community Centres**

Current Financial subsidy £	Community Centres	
	Actuals 2008/09	Budget 2009/10
<b>EXPENDITURE:</b>		
Employees	143,374	154,390
Premises exc NNDR	458,769	337,950
NNDR	47,916	50,230
Transport	16,234	3,030
Supplies and Services	27,205	26,440
Third Party Payments	55	550
Support Services	98,049	115,380
Internal Recharges	77,182	119,310
Capital Charges	131,985	131,400
<b>TOTAL EXPENDITURE</b>	<b>1,000,769</b>	<b>938,680</b>
<b>INCOME</b>	<b>327,077</b>	<b>328,790</b>
Catering net profit		
Internal Charges		
<b>TOTAL INCOME</b>	<b>327,077</b>	<b>328,790</b>
<b>SUBSIDY</b>	<b>673,692</b>	<b>609,890</b>

Based upon an average inflation level of 2% year on year, the savings target has been achieved. This is due mainly to contracting out the cleaning function and taking a more commercial approach to hire of facilities. The diary analysis for the centres for the year 2008/09 is summarised in table 2 below.

**Table 2**  
**Usage of Community Centres**

<b>April 2008-March 2009</b>	
<b>Centre</b>	<b>Total Hrs booked</b>
Bewbush	1865.5
Furnace Green	2838
Gossops Green	2050.5
Ifield Drive	2846
Ifield West	1389.5
Langley Green	3590.5
Maidenbower	4069
Milton Mount	1815.5
Northgate	1568
Pound Hill	3033
Southgate West	3007
Three Bridges	2965
Tilgate	2004.5
Wakehams Green	870
<b>TOTAL</b>	<b>33912</b>

There are 3 price bands which were agreed by Members during a workshop held in 2006.

The current prices are provided in Appendix 1. It can be seen that the standard rates are significantly higher than the subsidy rate 1 and subsidy rate 2.

Income for the community halls in 2008/09 was £233,627, generated from 'Hire of Buildings'. This suggests that across the centres, 33,912 hours of bookings generated £233,627 of income, suggesting an average hourly yield of £6.89. This is significantly lower than the standard rate for main hall hire of £25.80 and lower than the Subsidy Rate 2 of £9.80, as well as the standard rate for small halls of £13.00.

However, there is a need to support community groups that have evolved as part of the positive community development work that has been undertaken over the last 5 years. Current usage reflects the Council's objective of developing capacity within communities. Various arts, religious groups, special interest groups use the centres on a regular basis. As part of any change in management and operation, these groups should enjoy protected programming rights to ensure all the good work to date is not lost.

Interviews have been undertaken with Rob Channon, Community Centres Mgr, Nigel Sheehan Head of Community Services and Ivan Horsfallturner – Business Development Manager – Freedom Leisure – (in respect of interest in operating facilities in the future).

### **3 The key Issues arising from the consultation**

#### **3.1 Staffing/ general maintenance**

Maintenance staff for the community centres also provide facilities management services for other Council services providing economies of scale. The staff also maintain the Children's Centre that generates income of £41k per annum.

'Monitor' provide cleaning contract services until 2011 (option to extend for a further 2 years). The community centres, adventure play, public toilets, pavilions in parks and the Sure Start Centre are all covered by this contract.

It is believed that further economies of scale could be achieved, or further income generated through the community centre officers providing FM services to either council services or other local voluntary / charitable services in the borough.

#### **3.2 Bookings**

Regular bookings are taken by department admin staff whilst new bookings are taken through the Contact Centre. There is a re-charge for this service of £46k this financial year. As there is an admin resource for the department, customers may get a better service if all bookings are taken through the admin team as they have specialist knowledge of the halls and will be able to see the booking through to completion and post user questionnaire. This will also result in the saving of the re-charge to the service area.

All bookings are based on regular hirers and one off events / functions. There are no programmes that are directly delivered by the team, nor an approach to manage the 'mix/ type' of hirers of each centre.

There are many income generating activities; tumble tots, aerobics, etc that take place – but only a 'hire price' is paid to the Council, as opposed to the Council employing a coach and then gaining the activity income. This is acknowledged by the staff and this year they are hoping to take a more proactive approach. They will be gaining further staffing resource through the completion of the new centre in Bewbush, which will allow the team to be more developmental.

There are further opportunities to maximise income with links with PCT's for healthy living programmes (smoking cessation, mobility classes for older people etc) and other partners to offer programmes for target groups. For example, aerobics classes for those members of the community who find K2 leisure centre too intimidating.

#### **3.3 Occupancy**

Previously the price was set to generate use of the centres, now it is hard to gain a slot at peak times, suggesting that occupancy is good and there would be an ability to increase prices to non target groups / commercial activities.

## **4 Evaluation Model**

The management options that have been considered for the community halls are continued in house and management by a trust. There is no external market that would undertake the management of community centres alone.

Within the Best Value Review 2001, the option of management of the community halls by local management committee or the voluntary sector was considered. It is understood that the community centres were previously managed by the WRVS – however they were then brought back in house and significant refurbishment of the buildings was required to bring them up to the required standard.

Each centre was previously managed on an individual and ad hoc basis – with standards of delivery (cleaning / front of house) inconsistent as it depended on each individual manager / caretaker. Due to this approach there was also no cross selling of centres to user and no breadth of knowledge across the portfolio. This has been addressed over the last 2 years and the service now provides a coherent offer across the town.

The set up of a specific trust for the management of the community halls would have significant set up costs, and incur central management and ‘head office’ costs that would be likely to significantly offset any NNDR savings as they are only the £40k pa as identified above. With Freedom already operating in the borough, which is a leisure trust, we have analysed the benefits of a trust operation with an existing trust such as Freedom in mind as opposed to setting up a specific trust for the community halls.

### **(a) Cost of Future Operation / Investment Required – Both Revenue and Capital Implications**

#### **In House**

##### **Revenue**

The current cost of the service is budgeted to be just over £600k, this includes capital charges of £131k, support services charges of £115k and internal recharges at £119k for 2009/10. If the service remains in house these revenue budgets are likely to remain the same, however as discussed above, it is believed that there is potential to deliver more income generating activities at the centres as well as reviewing the current hirers that gain the subsidy rates to increase the yield per hour of the centres.

##### **Capital**

The centres have £131.4k of notional depreciation allocated within the budget in 2009/10. This suggests that works have taken place at the centres, with the depreciation being allocated to the future years. There is currently a new centre being built at Bewbush. However ongoing lifecycle works and developments are dependent on competing for capital funds with other departments (including statutory services).

## **Leisure Trust**

Initial conversations with Freedom have highlighted that the Trust would be interested in managing the community halls and believe that there are potential benefits financially VAT and NNDR savings.

The NNDR costs for the centres total £50k for 2009/10, therefore the potential savings would be in the region of 80% of this amount; £40k per annum.

In discussing the levels of income with the finance team it has been determined that due to the block booking approach at the Community centres, VAT benefits are already accrued, so there would be no further benefit if a Trust operated the centres from a VAT perspective.

There may be a further reduction in subsidy as Freedom has a more proactive approach to programming, from its experience of managing K2 (and specifically children's programmes and fitness classes) and thus potentially able to generate more income.

Other benefits would be their links with local stakeholders gained through work at K2 to introduce all types of programmes for the community into the halls, for example health programmes for targeted groups. Freedom was keen to demonstrate the groups and community programmes that they currently operate at K2.

In respect to repairs and maintenance Freedom has 3-3.5 full time equivalents at K2, so they would be comfortable to take on the extra R&M responsibility for the community buildings recognising that they may need to increase the resource.

If the service was transferred to Freedom, there would also be potential savings in 'internal recharges' and 'support services', however it has not been investigated further as to whether these costs would be simply re-allocated to other departments, or whether any true savings could be realised.

Any NNDR / VAT or improved usage benefits would need to be offset against any central costs / contingency / profit that Freedom would charge to manage the service for the Council.

In addition the council would have to consider whether they would also need to provide a strategic / monitoring role within the Council for the service and salary costs for this role would need to be accounted for.

## **Capital**

A trust could utilise its improved revenue position (though NNDR) to lever in capital funds for lifecycle and redevelopment of the centres.

A trust would be more likely to be able to successfully apply for grants and external funding for capital developments than the council.

## **(b) Current service levels and quality standards**

### **In House**

The current service delivery provided by the in house team is deemed to be of a high standard, particularly in respect to cleaning and day to day repairs and maintenance of the centres.

The only drawback appears to be the approach to bookings – where new bookings are managed by the customer service team and existing bookings by the department's admin team. It would have been thought that this approach could be amalgamated to one team.

From a more strategic approach, it is suggested that the team update the aims and objectives of the service in line with the Council's key objectives, to ensure that the outputs match these objectives; balance of income generation/subsidy reduction against using the community centres to support local communities with specific measurable targets in these areas.

### **Leisure Trust**

It is not determined that the current service delivery and quality standards will necessarily improve, and that to ensure that they remain high a detailed specification with performance targets would have to be written for Freedom to work against. However Freedom may through their current network of stakeholders be able to provide a more diverse programme of activities with partners. They would wish to extend this type of approach to the Community halls to provide a more proactive programming strategy that would both increase income and also meet the needs of the local community and specific target groups.

## **(c) Staffing**

### **In House**

There would be no changes to the staffing under the option to continue the management of the community centres in house.

### **Leisure Trust**

If the management of the centres were transferred to Freedom, the staff that directly work within the service would TUPE across to Freedom. There may be some posts for example the repairs and maintenance staff that work at the community centres and other service areas, where the application of TUPE wouldn't be as straight forward. The Council would also have to consider what strategic / monitoring role would still be required within the Council.

#### **(d) Opportunities and control**

##### **In House**

The Council retains direct control over the service area and changes can be made as required. However as history has shown the service area is less likely to be entrepreneurial in its management of the service and both income generating and programme delivery opportunities may be lost.

##### **Leisure Trust**

If the operation of the community centres were transferred to Freedom, the Council as well as Freedom would be bound by the specification and management agreement for the defined length of the contract. There would be termination clauses, but these would likely to incur costs. However Freedom would take the trading risk and the subsidy agreed to at the beginning of the contract period for each year of the contract and would not be subject to change. In contracts of this nature normally with any 'over performance' there is a surplus share schedule so the council and residents will also gain if the Trust did, so that the benefits would be reinvested directly back into the centres.

Generally in output based specifications, trusts are willing to change the service delivery priorities as Council's objectives change, as long as there was not significant impact on their ability to maintain the surplus agreed with the Council. Changing priorities are generally negotiated through an annual service plan.

#### **(e) Central and support services**

##### **In House**

The current central costs are in the region of £234k per annum, some of these relate to the contact centre for the new bookings (£46k for 2009/10). If the service remains in house – it is likely that these costs will continue.

##### **Leisure Trust**

If the service is transferred to Freedom, these costs may reduce – if actual savings can be realised, or may simply be reallocated to other departments.

However, it is likely that Freedom would allocate an element of central costs to the management of the service. This is likely to be in the region of 10% (given that they also manage K2 for the borough) of income, that at current levels equates to £23k per annum, which is much lower than current levels.

#### **(f) Legal / Procurement issues**

##### **In House**

There would be no general legal / procurement issues with the service remaining in house.

##### **Leisure Trust**

If the Council were to consider transferring the management of the centres to Freedom, the current contract would have to be reviewed to ascertain whether there were opportunities to

include the additional services within it. As this would be a new opportunity that came to the market, the Council would have to consider its own procurement guidance and also EU guidance as to whether an advertised OJEU process would have to be undertaken. At first sight, as it is likely that the service is a part B service, the formal OJEU process may not be required, however the procurement process would still be subject to EU treaty principles of transparency and non-discrimination.

**(g) Market testing and benchmarking**

**In House**

There would be no issues with the service remaining in house.

**Leisure Trust**

Freedom in partnership with GLL has been managing the K2 leisure centre since November 2008 and therefore the contract has had time to bed in.

Freedom do currently manage facilities other than leisure centres; they manage hall / entertainment facilities for Mid Sussex DC namely Martlets Hall in Burgess Hill and Claire Hall in Haywards Heath.

Ivan Horsfallturner the Business Development manager for Freedom believes that their focus of service delivery in the area is important as they are based in Uckfield, and manage facilities on behalf of Hastings, Weald, Crawley and Mid Sussex.

He believes that Freedom could bring direct tax benefits through NNDR savings.

He recognises that there is no current joint working at the community centres in the Crawley contract, but through the specification they deliver extensive outreach and community hall provision in other contracts elsewhere.

One of the Active Crawley team is based at the leisure centre and Freedom has a Community Sports Development officer. They believe they have potential to work much closer with the Council and delivery community centre programmes across the town.

**Community Hall Summary**

The evaluation model for the Community Hall Management Options is detailed in the table below.

	Criteria	Key Area	Importance to Council / Members	Actual Scores out of 5			Weighted Scores			
				Overall Weighting	In House	Local Trust	Sale / Lease / 3rd Party	In House	Local Trust	Sale / Lease / 3rd Party
1	Investment Required	Can Capital Investment be delivered into the Services? Condition Survey Maintenance, Building Improvement Investment. Costs of Investment	Medium - It is known that the facilities will need capital to be spent to ensure they continue to meet customer expectations	18.00%	3	4		10.8%	14.4%	0.0%
2	Revenue	Improved Revenue position, Increase in participation and income; NNDR savings, VAT benefits, Is revenue certainty provided for the Council?	High - Council wishes to have affordable and known revenue position	20.00%	3	4		12.0%	16.0%	0.0%
3	Current service levels and quality standards	How well will the services be delivered? Able to benchmark? Customer / client feedback, Day to day health and safety and maintenance issues, Marketing / Branding	High - facilities have an excellent reputation within the locality and industry, the Council wishes to maintain this	20.00%	3	4		12.0%	16.0%	0.0%
4	Staffing	Are there any Economies of Scale? Staffing terms and conditions protected, Opportunities for staff development?	Medium - Staff benefits and opportunities must also be balanced with a sustainable economic position	15.00%	3	3		9.0%	9.0%	0.0%

	Criteria	Key Area	Importance to Council / Members	Actual Scores out of 5			Weighted Scores			
				Overall Weighting	In House	Local Trust	Sale / Lease / 3rd Party	In House	Local Trust	Sale / Lease / 3rd Party
5	Opportunities and control	How easily will the Council be able to influence the Service Delivery and the budgets of the Services?	Medium - Council wishes to input into the strategic direction and change as per change in policies, however it is not important to be involved in day to day delivery	17.00%	5	3		17.0%	10.2%	0.0%
6	Central and support services	Are current client costs reduced? Are there any other potential savings in other areas of Council costs (recharges)?	Low - Council wishes to have affordable and known revenue position	5.00%	1	2		1.0%	2.0%	0.0%
7	Legal / Procurement issues	Any particular legal issues with each option?, Obliging the Council to spend monies / capital; Governance, Any additional risks?	Low - the Council wishes to minimise further risk	5.00%	5	3		5.0%	3.0%	0.0%
8	Market testing and benchmarking	Are there potential partners in the market place for the management options be discussed?	Medium - Council wishes to know that there are suitable partners in the market	10.00%	5	4		10.0%	8.0%	0.0%
				<b>100.00%</b>	<b>28</b>	<b>27</b>		<b>77%</b>	<b>79%</b>	<b>0%</b>

## 5 Recommendations

- As it can be seen from the evaluation model, the scores between the two options are very close, with neither one being an outright leading option. It should be further emphasised that the Trust option is limited to a partnership with Freedom.
- Overall, there is a good in house service that generates income for the department through providing FM services for other services, however it is believed that income maximisation of the actual centres has not been fully achieved.
- A review of charging policy is recommended, taking into account the need to provide protected programming and pricing for community groups and special interest groups.
- A systems thinking review (which we understand the Council has undertaken on other services) on the administration of the booking system could prove to be beneficial.
- There is a need to develop a new service plan and seek to develop new partnerships with, for example, Youth Services. The plan would align its vision and priorities with the Council's corporate objectives.
- Due to the current relationship with Freedom that the Council has established, it is suggested that the procurement issues are investigated in order to determine whether the Council can request from Freedom a financial proposal and method statement for the future delivery of the centres. This will enable the Council to fully assess the potential benefits gained through this extension of the partnership on both service delivery and subsidy position compared to the current in house provision.
- We do not believe that there are any other providers that would be willing to operate the Community Centres on a stand-alone basis.
- In addition, the costs of setting up an in house Trust would negate any potential savings in years 1-4.
- A number of other service development opportunities have been identified by the management team which should be taken forward. These include:
  - Greater utilisation of the Community Centres as venues for neighbourhood service delivery.
  - Providing activity programmes and classes to meet local need and gaps. In particular structured classes to support children's holiday activities and adult health and fitness programmes are considered areas which could become self financing and sustainable. Although there would be social benefits of such programmes, within the current economic climate, the aim of such activities would be income generation to reduce the financial deficit.