



Assessing Leisure Centre Options for St Helens Borough Council

Overview

St Helens Borough Council (STH) is located in the Northwest of England and currently has four main leisure sites which are operated by their In-House team. The Council had been considering the replacement of one leisure centre which closed in 2019.

Like many other councils, STH is facing increased financial pressures and, with leisure being a non-statutory service, the Council's ambition was to reduce the revenue costs of delivering the services while providing quantifiable social and economic impact to the borough.

Following completion of a competitive procurement exercise, V4 Services were awarded the contract to complete an initial (Phase One) Leisure Options Review for the Council on 30th January 2023.

The Challenge

The key objective of this Phase One Leisure Services Review was to:

- Establish an accurate "Baseline" – the true cost of operating the service
- Benchmark the financial and other performance metrics of the current services
- Identify the opportunities for improvement
- Review the relative benefits of the full range of alternative operating models
- Review the investment potential and determine how the dependence on the Council subsidy can be eliminated over time.

The target was to complete the report by 31 March 2023 in order that it could be presented to the Senior Management Team in April 2023.



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The Solution

The V4 Services team established a baseline for the true costs of the service which was agreed with the internal finance team. The actual cost of the services including interdepartmental or central charges etc. was found to be considerably higher than expected by the Council which will make the journey to cost neutrality more difficult.

The financials were also benchmarked against industry metrics for similar sized facilities, which evidenced the fact that operating costs are considerably higher than benchmark sites; especially in relation to staffing costs and central charges. The subsidy per visit was high and the recovery rate was low (percentage of operating costs covered by income).

As anticipated, several key issues emerged during the project across the following themes:

- Strategic – whilst the Council has numerous policy and strategy documents, they have never been resourced or aligned to the operational delivery of the leisure services.
- Financial – while the Council has various systems and processes in place as part of the council-wide financial and accounting systems, they were not fit for purpose - in terms of timely and accurate financial data in the form of management information needed to drive efficiencies and service improvements and to build accountability and a performance culture.
- Physical – the existing estate is ageing and reaching the end of its economic life and there are no large scale maintenance or investment projects in the pipeline.
- Operational – customer experience and industry standard transactional functions are restricted by the current operating environment.
- Central Support – the budget allocation of the central charges appears arbitrary rather than based on the actual time and effort for support provided. Support needs to be re-aligned to better meet the business needs of the service.

The Outcomes

It was clear at the outset that, given the financial challenges, the 'do nothing' option is not viable and sustainable.

Transformational change is needed and so the report reviewed six operating models and scored them initially against pass / fail criteria.

Of the six options, only two met the basic criteria. Then these were scored against agreed weighted criteria. The options analysis concluded that the most appropriate delivery vehicles were either an optimised in-house service or transformation driven through a Council controlled Local Authority Trading Company (LATCo). While the LATCo scored the highest, the relative advantages / disadvantages of both options were considered in detail in consultation with the client.

Estimates of the potential income and expenditure for each option were projected to support the "journey to zero".

Key Successes

Based on the evidence reviewed and discussions held, the strategic case to make significant changes to the current operating model for leisure included:

- development of a full business case to assess the two viable operating models and
- a service investment / divestment strategy to improve the leisure estate.

It will be during the Phase Two stage of work that the benefits of change will be quantified more fully.



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