

05 July 2016 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 27.06.16



Scrutiny Committee

Membership:

Chairman, Cllr. London; Vice-Chairman, Cllr. Brown
Cllrs. Ball, Brookbank, Clack, Hogg, Kitchener, Lindsay, McArthur, Purves and Reay

Agenda

	Pages	Contact
Apologies for Absence		
1. Minutes To approve the Minutes of the meeting of the Committee held on 3 May 2016, as a correct record.	(Pages 1 - 6)	
2. Declarations of Interest Any declarations not already registered		
3. Responses of the Cabinet to reports of the Scrutiny Committee a) Matter referred by Scrutiny Committee held on 3 May 2016 (Cabinet - 9 June 2016)	(Pages 7 - 8)	
4. Actions from the last meeting of the Committee (if any)		
5. Moat and West Kent Housing Association - Provision of Housing Elizabeth Austerberry, Chief Executive of Moat and Deborah White, Housing Director of West Kent Housing Association to answer questions		
6. Performance Monitoring	(Pages 9 - 22)	Lee Banks Tel: 01732 227161
7. Questions to the Portfolio Holder for Economic & Community Development	(Pages 23 - 24)	Cllr. Hogarth
8. Questions to the Portfolio Holder for Finance	(Pages 25 - 26)	Cllr. Searles

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|-----|---|-----------------|---------------------------------------|
| 9. | Establishment of a Property Investment Strategy Member Working Group | (Pages 27 - 28) | Adrian Rowbotham
Tel: 01732 227153 |
| 10. | Work Plan | (Pages 29 - 30) | |
| 11. | Report of the Leisure In-Depth Scrutiny Working Group | (Pages 31 - 46) | Cllr. Brown |

Consideration of Exempt Information

Recommendation: That, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting when considering Appendices B, D, E and F of agenda item 11 above, on the grounds that likely disclosure of exempt information is involved as defined by Schedule 12A, paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

- | | | |
|-----|--|-----------------|
| 11. | Report of the Leisure In-Depth Scrutiny Working Group | (Pages 47 - 60) |
|-----|--|-----------------|

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227247 or democratic.services@sevenoaks.gov.uk.

SCRUTINY COMMITTEE

Minutes of the meeting held on 3 May 2016 commencing at 7.00 pm

Present: Cllr. London (Chairman)

Cllr. Brown (Vice-Chairman)

Cllrs. Brookbank, Clack, Hogg, Lindsay, McArthur and Purves

Apologies for absence were received from Cllrs. Kitchener and Reay

Cllrs. Dickins, Lowe and Mrs. Morris were also present.

32. Minutes

Resolved: That the minutes of the meeting of the Scrutiny Committee held on 24 November 2015 be approved and signed by the Chairman as a correct record.

33. Declarations of Interest

No additional declarations were made.

34. Responses of the Cabinet to reports of the Scrutiny Committee

There were none.

35. Actions from the last meeting of the Committee

There were none.

36. Kent County Council - Commercial and Traded Services

The Chairman welcomed County Councillor Paul Carter, Leader and Cabinet Member for Business Strategy, Audit and Transformation and Commercial and Traded Services at Kent County Council and John Burr, CEO of Commercial Services, who gave an overview of Commercial and Traded Services at Kent County Council.

Mr. Carter and Mr. Burr tabled a [leaflet](#) providing an overview of the services provided by Commercial Services. Mr. Carter explained that Commercial Services had a combined turnover of £400 million, with three quarters from the LASER energy purchasing group. He explained that he did not want Commercial Services just to create artificial profits and so Commercial Services had separate accounts from the Council and no subsidies were provided. They clarified that 83% of the turnover come from businesses outside of KCC and the only service KCC staff were asked to use was Connect2Staff recruitment. Commercial Services contributed £5 million to £6 million per year back to the Council and had a target of £8.7 million in profit for the current year and £11 million in the next. Earlier that day Commercial Services had launched GEN2 property and professional

services and they hoped that KCC Legal Services would be established as a separate Alternative Business Structure by the end of the year, to allow trading with both the public and private sectors.

Questions were asked of Mr. Carter and Mr. Burr.

The Chairman asked whether the service was sufficiently profitable, particularly given the large number of employees it had. They responded that, excluding energy brokerage, the profits were 5% which was comparable to retail businesses. 200 of their 600 employees were landscape gardeners. Commercial Services would be concerned if they overcharged other public authorities but competed instead on service provision, such as guaranteeing next day delivery. They noted that there had been a lack of investment over time and so 35% of orders were taken by fax while only 7% were through their website.

The Vice Chairman asked whether the increase in academy schools provided a greater opportunity for trading and whether KCC had considered the Council's aim to become self-sustainable. Mr. Carter raised his concerns at the funding of County Councils and noted that KCC had £1billion of debt, which had been borrowed against the Revenue Support Grant. Academisation provided an opportunity for KCC for greater efficiencies in scale, particularly where other Local Authorities were withdrawing their role and some private sector companies had tarnished reputations. KCC were part of the One Public Estate model and had entered discussions to take on part of the health economy.

Asked about trading with the private sector, Mr. Burr confirmed that Commercial Services was made up of a "Teckal" company which had to take on work from the Council and a trading company set up under section 93 of the Local Government Act 2003 and could only win work through competitive tendering. Commercial Services had a 5 year plan for investment to ensure all services were rated good or better.

In response to a question, Mr. Burr advised that Commercial Services was regularly asked for advice from other Local Authorities considering a similar approach. However, the governance could be expensive and KCC had to learn from mistakes. Commercial Services had reduced the number of its divisions and had sought synergies, recognising that services needed to be lean. However they would leave a service if they were only able to compete through "grey" employment practices.

A Member asked about how much trading was done with District Councils. Mr. Carter and Mr. Burr advised that they experienced more activity outside Kent. The Chief Officer Corporate Services confirmed that the Council did purchase energy, stationery and MFDs through Commercial Services.

In response a question concerning KCC's debt, Mr. Carter explained that the Council's aim was to ensure sufficient revenue and so KCC were not focussing on selling assets such as the company.

Asked about Commercial Service's competition with private sector services, Mr. Burr stated that the level of guarantees and audit requirements for Commercial Services provided reassurance to many local authority customers. London Boroughs, who were provided £100 million in energy, had stated they would not have entered the contracts if it had been with the private sector. Mr. Carter added that the service level with some

private sector companies meant that contracts would not be renewed and they even planned for this.

The Chairman thanked Mr. Carter and Mr. Burr for their attendance.

37. Performance Report

The Chief Officer Corporate Services introduced a report which summarised performance across the Council to the end of February 2016. Members were asked to consider three performance indicators which were performing 10% or more below their target with a commentary from Officers explaining the reasons and detailing any plans to improve performance. If actions taken were not deemed sufficient, the report recommended referring those indicators to Cabinet for further assessment. The report also provided key performance indicators relating to the Portfolio Holders invited to the Scrutiny Committee meeting.

Resolved: That the contents of the report be noted.

38. Questions to the Portfolio Holder for Housing & Health

The Portfolio Holder for Housing and Health presented a report updating the Committee on recent achievements within her portfolio and challenges ahead. She highlighted that Housing and Health were being brought together within the Council. These services were intrinsically linked because bad housing helped cause poor health and was a cost to the NHS.

Asked by the Chairman about her concerns ahead she advised that the Housing and Planning Bill was due to be reconsidered shortly by the House of Commons. She was pleased that local MPs would support the amendments sought by the Council and had contacted the Secretary of State for Communities & Local Government and the Minister for Housing and Planning.

A Member asked what steps could be taken to provide affordable housing for ownership. The Portfolio Holder advised that a Housing Needs Assessment was being carried out which would clarify the types of housing required. She noted that some areas had introduced Pocket Housing, which allowed lower cost properties as many facilities were held communally.

The Portfolio Holder was asked what the current trends were in homelessness. She explained that future trends were still uncertain. They depended upon upcoming welfare changes, the results of the Housing and Planning Bill and how West Kent Housing would change its model including whether housing would be replaced by housing in cheaper areas.

In response to a question, the Portfolio Holder advised that the private sector was not keen on homing refugees as the government was only guaranteeing money for a year, however rents would likely be too high once they had jobs. The Council had offered the HERO service to help them to integrate into Kent life.

A Member asked how they could be satisfied that a good service was being provided to customers. The Portfolio Holder explained that the Housing Team had a noticeboard full

of compliments they had received. As Disabled Facility Grants had been brought back in-house, Housing Services now sent out satisfaction services.

The Vice Chairman raised concerns that Affordable Housing would become situated mostly in enclaves of redeveloped brownfield land rather than where it was locally needed. The Portfolio Holder hoped that the Housing Needs Survey would redress these concerns and these assessments would eventually be incorporated into the revised Local Plan.

39. Questions to the Portfolio Holder for Direct & Trading Services

The Portfolio Holder for Direct & Trading Services provided an update on services within his Portfolio. He explained that the Council was the only District Council in the County still to run weekly refuse and recycling collection, with a 93% satisfaction rate compared to the national average of 77%. A Heritage Lottery Fund grant had recently been announced for the Greensand Ridge. The Council had proposed a CCTV Partnership, with Tunbridge Wells and Tonbridge and Malling Borough Councils which was due to create savings. A further 66 parking spaces had been added by expanding the car park in Westerham. He also noted that Direct Services had created a £233,000 surplus for the year.

The Chairman asked the Portfolio Holder's three greatest concerns. He explained that the first was the provision of greater parking in Sevenoaks, rather than merely restricting and displacing it. A small change in fuel prices could make a considerable difference on the 430,000 litres of diesel purchased each year. Finally he was keen for an increase in household waste recycling rates.

The Vice Chairman enquired about the current status of the CCTV Service and whether some parking charges in Sevenoaks Town were too high. The Portfolio Holder advised that the CCTV Partnership would provide staffing resilience and savings of £44,000 over 10 years. Tonbridge & Malling Borough Council's out of hours telephone service already came to Sevenoaks but CCTV was fed to Tunbridge Wells Borough Council. The parking charges were a response to demand and customers were signposted to other car parks. However, there would be an impact on the High Street if there were not a turnover of parking.

A Member noted that the Council lost approximately half of parking ticket appeals to the Traffic Penalty Tribunal, whereas Planning Services had a target to win 75% of appeals. The Portfolio Holder explained that only 0.17% of appeals went to the Tribunal which was the fewest in Kent and less than half of the national average. Nationally more than half of such appeals were lost by Councils. Officers no longer attended appeals as it was not cost effective, but when they used to attend they would win more than half of the appeals. He felt that the 15 appeals in the last year were statistical outliers given the 1,897 notices at the previous stage of appeal. The Committee asked that the Portfolio Holder consider introducing such a target.

Members asked the benefits of an in-house CCTV service. The Portfolio Holder responded that it allowed Officers to become particularly familiar with the local areas and stay connected to local venues through the Pub Watch and Shop Safe schemes.. The partnership would be managed by a legal agreement between the three Authorities

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The Portfolio Holder was asked for the Council's plans to tackle flytipping. He noted there were environmental and social costs to flytipping. The Council had become the first point of contact for reports for all matters and would remove all flytipping unless obstructing the carriageway or on private land, while advertisements for an Environmental Enforcement Officer would close shortly. Due to changes in legislation, householders could be held legally responsible if their waste were passed to somebody who later flytipped it.

Resolved: That Cabinet be asked to consider whether it would be appropriate to apply a target of 75% of Penalty Charge Notice appeals to be won at the Traffic Penalty Tribunal.

40. Leisure In-Depth Scrutiny Working Group - Update

The Vice Chairman, as Chairman of the In-Depth Scrutiny Working Group, updated the Committee on the progress of the Group. He explained that a report had been written and the Group would be meeting the following week to discuss it. The Group would provide the final report to the meeting of the Committee on 14 July 2015.

41. Work Plan

The Chairman advised that Mike Hill, KCC Cabinet Member for Community Services would be invited to the meeting on 7 February 2017 and Kent Police to 8 November 2016 due to availability. At the next meeting the Committee would consider establishing an In-Depth Scrutiny Working Group to consider the Council's Property Investment, examining the strategy and whether the benefits outweighed the risks. The work plan, subject to those amendments, was noted.

THE MEETING WAS CONCLUDED AT 9.13 PM

CHAIRMAN

Item 3 - Responses of the Cabinet to reports of the Scrutiny Committee

At the last meeting of the Scrutiny Committee on 3 May, Minute 39 was referred to Cabinet for consideration, relevant minute extract below

Cabinet, 9 June 2016 Minute 8 (a) - Matters referred from Scrutiny Committee

Scrutiny Committee were requesting that Cabinet consider whether it would be appropriate to apply a target of 75% of Penalty Charge Notice appeals to be won at the Traffic Penalty Tribunal.

Cllr. Clack addressed Members explaining why he had raised it as an issue at the Scrutiny Committee. He believed that a target would help ensure more correct decisions before an issue went to the Traffic Penalty Tribunal (TPT).

The Portfolio Holder for Direct & Trading Services advised that fewer than 15 out of 14,147 Penalty Charge Notices (PCNs) issued, went to the TPT, and the currently policy was not to send an officer as it cost more to send an officer than if the case were lost. He was happy to revisit this policy. There was a higher success rate for the Council if an Officer was sent. Performance Indicators were useful for policy direction, but he did not believe one would be helpful here. The Council already had a different approach to enforcement which had received national press coverage and praise. The figures were already published and publicly available and he had undertaken to bring them to his Advisory Committee.

Resolved: That no new Performance Indicator be applied.

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PERFORMANCE REPORT

Scrutiny Committee - 5 July 2016

Report of Chief Executive

Status: For Information

Key Decision: No

This report supports the Council Promise to provide value for money

Portfolio Holder Cllr. Peter Fleming

Contact Officer(s) Lee Banks (Ext. 7161)

Recommendation to Scrutiny Committee:

- (a) Members note the contents of the report; and
- (b) If Members are dissatisfied by actions being taken to improve performance by either Officers, Advisory Committee or Cabinet, they consider areas of underperformance for scrutiny.

Reason for recommendation: To ensure that areas of under performance within services are considered and reviewed by Members.

Introduction and Background

- 1 Scrutiny Committee have requested a regular update at each of their meetings of any performance indicators which are not meeting their target level. Attached to this short introduction paper is an exceptions report with a commentary from officers explaining the reasons why performance is not within 10% of target and detailing any actions the service is planning to take to improve performance levels.

Performance Overview

- 2 The table on the following page summarises performance levels as at the end of April 2016.

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	Current Month	Year To Date
Red <i>10% or more below target</i>	4 (11.4%)	4 (11.4%)
Amber <i>Less than 10% below target</i>	9 (25.7%)	9 (25.7%)
Green <i>At or above target</i>	22 (62.9%)	22 (62.9%)

- 3 Provided as Appendix A to this report are details of the three indicators where performance is 'Red' and missing the target level by 10% or more.

Portfolio Holder Performance Reports

- 4 At the Scrutiny Committee meeting held on 14 July 2015 it was resolved for 'Officers to provide key performance indicators relevant to the Portfolio Holders invited to the Scrutiny Committee at each meeting'. The following performance reports are provided as appendices to this report:
- Appendix B - Economic & Community Development Portfolio performance report
 - Appendix C - Finance Portfolio performance report
- 5 Where performance is 'red' and missing the target level by 10% or more Officers have provided a commentary for Members consideration.

Other Options Considered and/or Rejected

- 6 None.

Key Implications

Financial

- 7 Effective performance management monitoring arrangements will assist the Council in diverting resources to areas or services where it is considered to be a greater priority.

Legal Implications and Risk Assessment Statement.

- 8 Robust arrangements are in place to ensure that the risk of inaccurate data being reported to Members is minimised and assurance can be placed on the accuracy of data used to assess performance. By reporting to Members and ensuring all Members are able to access the Council's performance management system the risk of poor performance not being identified or addressed is minimised.

Equality Impacts

- 9 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users

Conclusions

- 10 This report to Members summarises performance across the Council with data that was available at the end of April 2016. Members are asked to consider four performance indicators which are performing 10% or more below their target and if the actions being taken by officers are not deemed sufficient are recommended to refer those indicators to the Cabinet for further assessment.

Appendices

Appendix A - Exceptions Report

Appendix B - Economic & Community Development Portfolio performance report

Appendix C - Finance Portfolio performance report


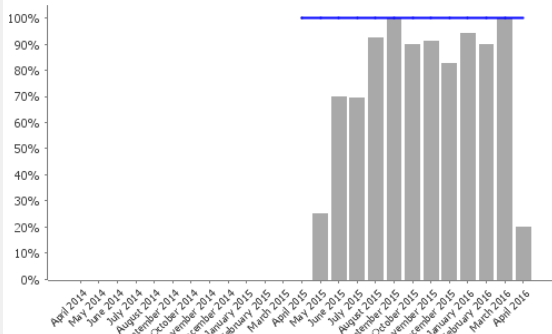


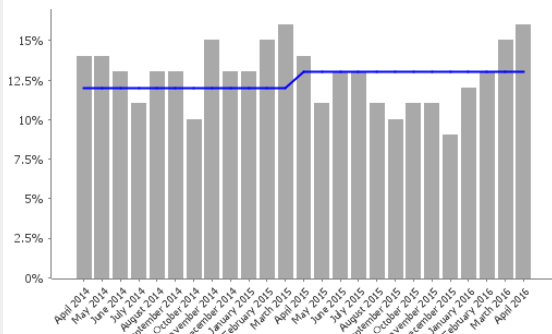

Background Papers:


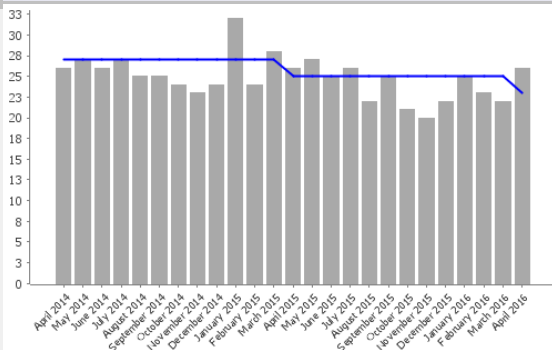

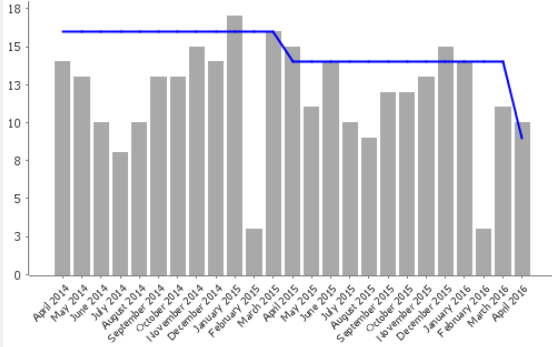

None

**Dr Pav Ramewal
Chief Executive**


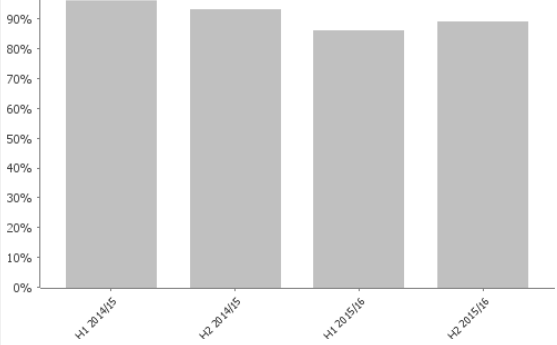


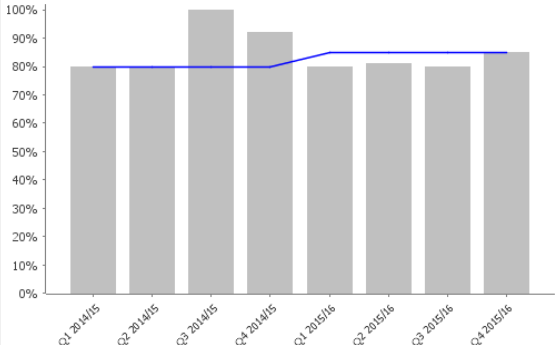

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Scrutiny Committee – Exceptions Report


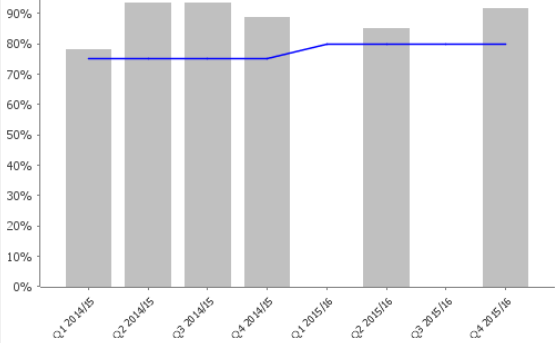

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest note
						2016/17			
						Value	Target	Status	
LPI_E H 004	Percentage of higher risk food inspections due that was done (higher risk is categories A & B)	20%	100%			20%	100%		<p>Of the 5 inspections which were due in April the team were able to complete 1. The reasons for inspections not being carried out include owners being unavailable and other work priorities within the team, including investigation into a significant food safety issue.</p> <p>The inspections will be rearranged as a priority and it is expected that all higher risk food inspections will be completed during the year.</p>
LPI_P A 002	Percentage of Penalty Charge Notices cancelled	16%	13%			16%	13%		<p>The percentage of PCN's cancelled reached 16% in April before reducing to 15% in May.</p> <p>As customers adjust to the increase in car parking charges introduced from April a proportion will mistakenly pay the amount charged previously. In the early weeks of the new charges the Council will where reasonable cancel any tickets issued where there was a clear intent to pay for the amount of time parked.</p>

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest note
						2016/17			
						Value	Target	Status	
LPI_H B 001	Average number of days to process Housing Benefit new applications	26	23			26	23		At the beginning of each financial year the Council receives an increased number of changes of circumstances and more complex benefit claims as people's employment and financial circumstances change.
LPI_H B 006	Average number of days to process Housing Benefit changes	10	9			10	9		This increased workload has resulted in performance targets for new claims and changes being missed by three days and one day respectively. Performance will continue to be closely monitored to ensure that improved processing times are delivered for customers.

Scrutiny Committee – Community & Economic Development performance report

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest Note
						2016/17			
						Value	Target	Status	
LPI_C D 001	Percentage of Community Safety Partnership actions achieved	89%	85%			N/A	85%		Performance is monitored half yearly, with current data provided for the end of March 2016. Performance data for 2016/17 will be available from mid October.
LPI_C D 002	Percentage of anti-social behaviour cases where an improvement in behaviour is recorded	85%	85%			N/A	80%		Performance is monitored quarterly, with current data provided for the end of March 2016. Performance data for 2016/17 will be available from mid July.


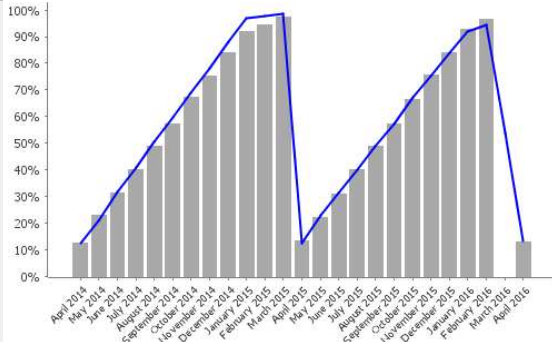


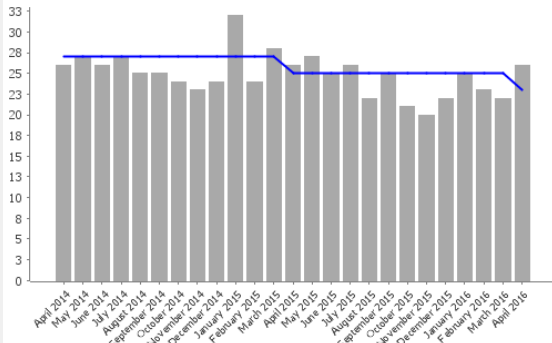

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest Note
						2016/17			
						Value	Target	Status	
LPI_C D 003	Percentage of victims of anti social behaviour that were satisfied with the action taken	85%	85%			N/A	80%		Performance is monitored quarterly, with current data provided for the end of March 2016. Performance data for 2016/17 will be available from mid July.
LPI_C D 005	Percentage of responses to reports of Anti Social Behaviour within 25 working days	100%	100%			100%	100%		Commentary is only provided for 'red' indicators.


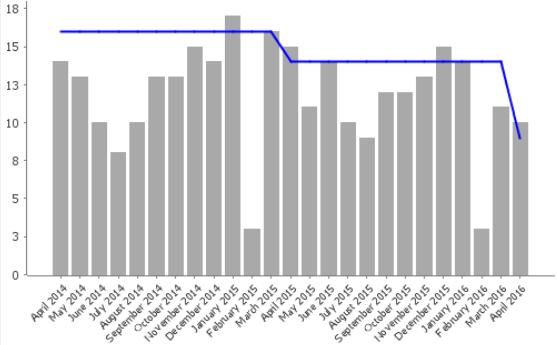

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest Note
						2016/17			
						Value	Target	Status	
LPI_C D 004	Percentage of organisations awarded grants meeting performance targets	91.7%	80%			N/A	80%		Performance is monitored quarterly, with current data provided for the end of March 2016. Performance data for 2016/17 will be available from mid July.

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Scrutiny Committee – Finance Portfolio performance report

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest Note
						2016/17			
						Value	Target	Status	
LPI_F S 003	Debts outstanding more than 61 days	£19,237	£20,000	🟢		£19,237	£20,000	🟢	Commentary is only provided for 'red' indicators.
LPI_T AX 001	The percentage of council tax collected in-year	11.6%	11.8%	🟡		11.6%	11.8%	🟡	Commentary is only provided for 'red' indicators.

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest Note
						2016/17			
						Value	Target	Status	
LPI_T AX 003	The percentage of business rates collected in-year	12.7%	13.2%			12.7%	13.2%		Commentary is only provided for 'red' indicators.
LPI_H B 001	Average number of days to process Housing Benefit new applications	26	23			26	23		<p>At the beginning of each financial year the Council receives an increased number of changes of circumstances and more complex benefit claims as people's employment and financial circumstances change.</p> <p>This increased workload has resulted in the performance target for new claims being missed by an average of three days.</p> <p>Performance will continue to be closely monitored to ensure that improved processing times are delivered for customers.</p>

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Cumulative (Year to Date) Performance			Latest Note
						2016/17			
						Value	Target	Status	
LPI_H B 006	Average number of days to process Housing Benefit changes	10	9			10	9		<p>At the beginning of each financial year the Council receives an increased number of changes of circumstances and more complex benefit claims as people's employment and financial circumstances change.</p> <p>This increased workload has resulted in performance target for changes being missed by an average of one day.</p> <p>Performance will continue to be closely monitored to ensure that improved processing times are delivered for customers</p>

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Item 7 - Report of the Portfolio Holder for Economic & Community Development

Cllr Hogarth

Economic Development

- Successfully established and supported SupaJam in Swanley, recently visited by Michael Fallon.
- Business development workshops delivered in partnership with ICAEW and Handelsbanken.
- Attendance at Sevenoaks Business show and Sevenoaks chamber events, including hosting one in SDC offices where approximately 50 businesses attended.
- Influencing KCC to ensure that broadband delivery UK second phase reaches as many of poor connection areas in Sevenoaks as possible - aim for over 95% coverage in the District.
- Successful delivery of SELEP funded business support programme across West Kent - this has delivered 6 hours of business support to over 100 businesses in West Kent, many Sevenoaks businesses have been supported.
- Working closely with Planning policy as part of Local Plan review to ensure that Economic Development issues are considered.
- Looking at how we can set up an apprenticeship scheme for local businesses with one of the London colleges.
- Leader grant scheme for rural businesses is up and running and was promoted in In Shape in December. Applicants are offered support by the Economic Development team
- Signage installations works completed in Swanley and Bat & Ball. Sevenoaks map to be installed in the train station once permission granted by Network Rail.
- A regeneration magazine which aims to promote inward investment and business in Sevenoaks is being drafted and will have input from the Portfolio Holder and Leader.

Community Safety

- e-safety campaign in February 2016 - quiz for local schools using web communications
- new Community Safety plan incorporates new safeguarding duties
- Prevent training for all staff, Members and partner agencies
- Training on gangs and taking a proactive approach to preventing gangs from operating in the District

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- Launched Shop Safe Stay Safe scheme for all vulnerable people including people living with dementia
- Launched the new Youth Zone - now also a community facility - can be badged up to do community safety, business support, youth, health, and general community engagement. Was also used as a standby polling station in case of severe weather for the referendum and PCC elections.
- Training for front line staff about illegal highs and the new legislation now in force on 13th July.
- Holding a meeting with the new Police & Crime Commissioner on 24th June
- Domestic Abuse, Stalking and Harassment training being provided for front line workers on 7th July. Already over-subscribed.
- Meetings held with Seal Schools and Hextable Primary school to address parking issues and speeding near the schools.

Communities

- Community & Voluntary Awards - successful evening at Sevenoaks School
- Easter Family Fun Days took place in Dunton Green, Edenbridge, Eynsford and Leigh, with an average attendance of 40 families each day.
- Summer holiday Fun Days are set to run between Monday 25th July and Friday 19th August.
- Dunton Green project continues to support the Dunton Green community, recruiting volunteers, assisting the older people's lunch club, supporting a community gardening project, a Kent Shed project, youth diversionary projects, health walks. A new community notice board has been put in place to inform commuters at the station.

Tourism

- Business breakfast arranged for major tourism providers in the District and very well-attended.
- Preparation of tourism events for the Chairman at Hever, the Lavender Farm and for the Queen's birthday

Emergency Planning

- The Economic and Community Development Advisory Committee has received reports on Business Continuity arrangements and on Emergency Planning practices and procedures, which had been updated.

Item 8 - Report of the Portfolio Holder for Finance

Cllr Tony Searles

Update on Services within the Finance Portfolio

Finance

- Delivered a balanced 10-year budget including financial self sufficiency from direct government funding.
- Annual accounts 2015/16 are progressing well and due to be completed by the end of June. The external audit of the accounts will start in August with the final version being presented to the Audit Committee in September.
- The Treasury Management Strategy is regularly reviewed. An exercise to benchmark bank charges has recently taken place and a new contract will start in September 2016.
- Property Investment - funding methods for projects are agreed for individual projects.
- A review of the Finance Team has taken place to ensure it is able to provide a service that meets the requirements of this Council going forward. All posts apart from the Principal Accountant have now been filled.
- New cash collection arrangements are in place for Swanley. This has resulted in efficiencies and given residents greater flexibility in payment arrangements.
- Municipal Bonds Agency - as a shareholding council we will be invited to participate in the first bond issue which is expected to take place in the autumn.

Internal Audit

- The team is now at full establishment with permanent staff.
- New Audit Management Software is about to be brought in which should result in smarter working with significantly improved outcomes.
- In February Benefit fraud moved to DWP. Internal fraud remains as an Internal Audit function and a Counter Fraud Team has been set up which will have a greater focus on Council Tax fraud.

Revenues and Benefits

- An external service review of Revenues and Benefits is nearing completion which should result in improvements to the service.

Agenda Item 8

- A new Council Tax Reduction Scheme (CTRS) is being consulted on before it commences on 1 April 2017. This work has been jointly completed by all Kent districts but each district can still have their own local scheme.
- Council Tax collection rates for CTRS customers are significantly above expectations.
- Universal Credit commenced in the district in October 2015 and 22 residents on Universal Credit have applied for CTRS.

Facilities Management

- Ensuring key operational assets are maintained as required within budgetary constraints.
- Swanley Leisure Centre - extra costs are being incurred to keep the centre operating prior to a decision on future leisure provision in Swanley.
- Part funding for the stabilisation of Otford Palace Tower was obtained from Historic England.
- Income generation through renting out Argyle Road office space.
- Scanning and removal of historical paper documentation has continued.

ESTABLISHMENT OF A PROPERTY INVESTMENT STRATEGY MEMBER WORKING GROUP

Scrutiny Committee - 5 July 2016

Report of Chief Finance Officer
 Chief Officer Communities and Business

Status: For Decision

Key Decision: No

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Fleming

Contact Officer(s) Adrian Rowbotham Ext. 7153
 Lesley Bowles Ext. 7335

Recommendation to Scrutiny Committee:

- (a) Decide if the Committee wish to set up a Property Investment Strategy Member Working Group.
- (b) Agree terms of reference, timescales, membership and appoint a Chairman of the group.

Reason for recommendation: to enable a small working group of Members to meet more frequently and report back to the Scrutiny Committee on its findings for consideration.

Introduction and Background

- 1 Members are asked to consider setting up a Property Investment Strategy Member Working Group to report back its findings to the Scrutiny Committee. Members should note that any working group will last no longer than the municipal year it is set up unless reconstituted the following year.
- 2 Members need to consider and agree the number and membership of the Property Investment Strategy Member Working Group.

Draft Terms of Reference

- 3 Draft terms of reference have been drawn up below for Members consideration.

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- a. The membership of the Working Group to consist of 5 Councillors who do not sit on the Policy and Performance Advisory Committee.
- b. Examine the Council's Property Investment Strategy and whether the benefits outweighed the risks.
- c. The Working Group to regularly report back in line with the Scrutiny Committee Work Plan.

Key Implications

Financial

The aim of the Property Investment Strategy is to contribute to the Council being financially self-sufficient from direct government funding.

Legal Implications and Risk Assessment Statement.

A full risk analysis of the Property Investment Strategy was included in the report to Council on 22 July 2014 and reviewed by the Audit Committee on 9 September 2014.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices

None

Background Papers:

Property Investment Strategy - Council 21 July 2015

Investment Strategy Risk Register - Audit Committee 9 September 2014

Investment Strategy - Council 22 July 2014

Adrian Rowbotham
Chief Finance Officer

Lesley Bowles
Chief Officer Communities and Business

Scrutiny Committee Workplan

Committee Date	14 July 2015	24 November 2015	23 February 2016	3 May 2016
External Invitees	Kent County Council (Primary Schools) - Margaret Crabtree, Deputy Cabinet Member for Education & Health Reform	Kent Police (Crime & Disorder in the Sevenoaks District) - Chief Inspector Roscoe Walford, Sevenoaks District Commander	Kent County Council (Highways) - Matthew Balfour, Cabinet Member for Environment and Transport	Kent County Council (Commercial and Traded Services) - Paul Carter CBE, Leader and Cabinet Member for Business Strategy, Audit and Transformation and Commercial and Traded Services
Scrutiny Committee	Performance Monitoring Peter Fleming - Leader and Portfolio Holder for Policy & Performance	Performance Monitoring Update from Kent County Council on Education Questions Peter Fleming - Leader and Portfolio Holder for Policy & Performance Tony Searles - Portfolio Holder for Finance	Performance Monitoring Robert Piper - Portfolio Holder for Planning Anna Firth - Portfolio Holder for Legal & Democratic Services Chairman's annual report to Council	Performance Monitoring Matthew Dickins - Portfolio Holder for Direct & Trading Services Michelle Lowe - Portfolio Holder for Housing & Health
In-Depth Scrutiny		Working Group Leisure - Update Stages Two/Three ¹	Working Group Leisure - Interim Report Stages Two/Three/Four ¹	

Committee Date	5 July 2016	8 November 2016	7 February 2017	30 March 2017
External Invitees	Moat Housing - Elizabeth Austerberry, Chief Executive West Kent Housing - Deborah White, Housing and Communities Director	Kent Police (Crime & Disorder in the Sevenoaks District) - Chief Inspector Roscoe Walford, Sevenoaks District Commander	Kent County Council (Library Services) - Mike Hill, Cabinet Member for Community Services and James Pearson, Service Improvement Manager of the Libraries, Registration and Archives Service	Pembury Hospital (Maidstone and Tunbridge Wells NHS Trust) - Angela Gallagher, Chief Operating Officer
Scrutiny Committee	Performance Monitoring Roderick Hogarth - Economic and Community Development Tony Searles - Portfolio Holder for Finance	Performance Monitoring Robert Piper - Portfolio Holder for Planning Anna Firth - Portfolio Holder for Legal & Democratic Services	Performance Monitoring Matthew Dickins - Portfolio Holder for Direct & Trading Services Michelle Lowe - Portfolio Holder for Housing & Health	Performance Monitoring Peter Fleming - Leader and Portfolio Holder for Policy & Performance (TBC) Tony Searles - Portfolio Holder for Finance (TBC)
In-Depth Scrutiny	Working Group Leisure - Final Report Stages Two/Three/Four ¹ Working Group Property Investment - Constitution of Group Stage One ¹			

¹ For detailed information on stages refer to "A Guide to In-Depth Scrutiny"

Past In-Depth Scrutiny Working Groups

2013/14	
Parking	Cllrs Clark, Cooke, Edwards-Winser, Eyre, Mrs Purves, Raikes (Chairman)
Budget	Cllrs Abraham, Mrs Bracken (Chairman), Butler, Gaywood, Maskell
2014/15	
Leisure	Cllrs. Gaywood, Grint, Mrs. Morris, and Pett (Chairman)
Investment in Property (put on hold)	Cllrs. Brookbank, Davison (Chairman) and Underwood

Current In-Depth Scrutiny Working Groups

Leisure	Cllrs. Ball, Brown (Chairman), Clack and Kitchener
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Possible future areas for In-Depth Scrutiny

Housing - Welfare Reform
Housing - accommodation for vulnerable people
Property Investment

Past External Invitees

2013/14	
21/11/13	Maidstone & Tunbridge Wells NHS (Jayne Black, Director of Operations)
04/02/14	KCC Highways & Transportation (David Brazier, KCC Cabinet Member Transportation & Environment)
02/04/14	Kent Police (Area Commander Chief Superintendent Steve Corbishly and District Commander Chief Inspector Tim Cook)
2014/15	
15/07/14	Citizens Advice Bureaux (Martin Wells and Angela Newey, Chairman and Manager at Sevenoaks & Swanley Citizens Advice Bureau (CAB), and Mike Musgrove and Jill Eyre, Director and Manager at Edenbridge & Westerham CAB)
02/10/14	Sencio Community Leisure (Jane Parish, Chief Executive)
20/11/14	KCC Secondary Schools (Roger Gough, KCC Cabinet Member for Education & Health Reform)
03/02/15	West Kent Clinical Commissioning Group (Ian Ayres, Chief Officer and Accountable Officer)
2015/16	
14/07/15	KCC Primary Schools and Apprenticeships (Margaret Crabtree, KCC Deputy Cabinet Member for Education and Health Reform)
24/11/15	Kent Police (Chief Inspector Roscoe Walford)
23/02/16	KCC Highways (Matthew Balfour, KCC Cabinet Member for Environment and Transport) (Did not attend)
03/05/16	KCC Commercial & Traded Services (Paul Carter CBE, KCC Leader and Cabinet Member for Business Strategy, Audit and Transformation and Commercial and Traded Services)

Possible External Invitees

Position	Name	Topic

REPORT OF THE LEISURE IN DEPTH SCRUTINY WORKING GROUP

Scrutiny Committee - 5 July 2016

Report of Cllr Brown, on behalf of the Working Group

Status: For Consideration

Executive Summary: The Leisure In Depth Scrutiny Working Group has considered whether Sencio offers value for money and what areas of cost could be reduced. Recommendations are set out below.

Recommendations:

That Cabinet considers this report and the conclusions in paragraphs set out below.

Introduction and Background

- 1 Sevenoaks Leisure Ltd, trading as Sencio Community Leisure, was set up on 8 January 2004, when the transfer and funding agreements were signed.
- 2 Sencio was transferred the following facilities/functions under 25 year leases:
 - Sevenoaks Leisure Centre
 - White Oak Leisure Centre
 - Edenbridge Leisure Centre
 - Lullingstone Park Golf Course
 - Wilderness Sports Centre (now surrendered by SDC to KCC)
 - Sports development function
- 3 Leisure centre employees were transferred to the new leisure trust under TUPE arrangements.
- 4 Under the terms of the transfer documents, Sencio is responsible for all debts and liabilities of community leisure provision and indemnifies SDC from any liability or debt in connection with assumed contracts and employees.
- 5 In 2014, there were 990,378 uses of the leisure centres and golf course. 223 clubs and societies use the leisure facilities on a regular basis.

Scope of Leisure In Depth Scrutiny Committee

- 6 We agreed that the core questions that the working group should address were:
 - Does Sencio offer value for money?

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- What areas of cost could be reduced?

Summary of Work Carried Out

7 The working group has met six times and carried out the works listed below.

8 We reviewed the following documents:

- Sencio Board reports
- Sencio financial strategy
- Sencio head office costs
- Sencio income/expenditure
- Sencio benchmarking
- Sencio usage charts

9 We interviewed the following Sencio personnel:

- Chief Executive
- Chairman of Sencio's Board
- Sales Manager

10 We interviewed three other leisure providers.

Sencio Lease Arrangements

11 When SDC decided to set up an independent leisure trust in 2003, it decided to grant Sencio 25 year leases of various buildings and land. The leases will be determined in 2029.

12 The tenancies are deemed to be business tenancies and the leases were all contracted out of the Landlord and Tenant Act 1954 so that Sencio has no statutory tenancy right beyond the date the leases expire.

13 Full details of the Lease Arrangements are contained in Confidential Appendix D.

Sevenoaks District Council Support for Sencio

Management Fee

14 An annual contract letter sets out the management fee for any one year. The contract letter sets out contract conditions and performance standards for the following year.

- 15 When Sencio was set up in 2004, the first management fee funding payment was £486,000, covering the period 1 January 2004 to 31 March 2005. From 1 April 2005, funding payments have covered the period April to March.
- 16 Since 2005, the management grant has reduced and the management fee for 2016/17 is £80,950. A spreadsheet showing the reduction in Sencio’s management fee from 2004 to 2016 is set out at Appendix A.
- 17 The management fee covers all three leisure centres, Lullingstone Park Golf Course and the sports development function. Sencio currently does not have a Sports Development Officer in place but uses a sports development approach in the provision of classes and activities.

Advantage Programme

- 18 The Council pays Sencio an annual contribution of £20,000 towards “Advantage”, which is a concessionary scheme that offers reduced rates for leisure activities. There is a small charge of £10 per annum to hold an Advantage card and the scheme is open to Sevenoaks District residents only.

Asset Maintenance

- 19 Sevenoaks District Council owns the three leisure centres in the Sevenoaks District and Lullingstone Park Golf Course. The Council is responsible for the buildings and Sencio for providing leisure services. The Council is responsible for building repairs and replacing failed plant, whilst Sencio is responsible for the ongoing service and maintenance of plant and equipment. The Council’s total budget for maintenance of all three leisure centres and Lullingstone Park Golf Course in 2015/16 was £167,145.

Summary of Council’s 2015 Contributions and Costs in relation to Leisure Services

Sencio Management Fee	£80,950
Sencio Advantage Fee	£20,000
SDC Asset Maintenance Fee	£167,145
SDC Building Insurance	£88,027
Total	£356,122 per annum

Sencio Financials

- 20 Sencio’s financial year runs from 1 January to 31 December.
- 21 Results for the last five years are as follows: -
- 2015: An overall loss was made (detailed figures not provided)

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- 2014: Operating Income of £4,812,308. Costs of £4,684,285. Overall profit of £128,023. The management fee however resulted in net profit overall of £ 223,296
 - 2013: Operating Income of £4,546,728. Costs of £4,613,445. Overall loss of £76,717. The management fee however resulted in net overall profit of £18,556.
- 22 Sencio also made losses in 2012 (detailed figures not provided) and 2011 (a loss of £6178. For 2011, the management fee however resulted in net overall profit of £ 189,095.
- 23 Save for 2014, there appeared to the sub committee to be a pattern over the last five years of operating at a loss, with management fees being used to make up any shortfalls.
- 24 The sub committee noted that between 2005 and 2014 £1,576,677.84 (non inflation adjusted) has been expended on asset management.
- 25 Sencio is constituted as an Industrial and Provident Society under the Industrial & Provident Society Act 1965 to 1978, which means that any profit Sencio makes is reinvested in leisure services.
- 26 Sencio has a three year financial strategy in place to drive the business and help improve income. Sencio's strategy to increase income includes:
- Increasing income through fitness (gyms), including health and fitness courses;
 - Identify investment potentials;
 - Maintain visitor numbers;
 - Upgrade IT systems and the use of social media;
 - Increase the fitness offer at Sevenoaks Leisure Centre to take advantage of latent demand.
- 27 Examples of cost reduction measures taken recently include:
- Sencio is reviewing utilities contracts to see if costs can be reduced;
 - LED lighting in leisure centres will make a saving;
 - Combined heat and power units in leisure centres are making a saving;
 - Savings are being made on procurement and cleaning costs without a drop in standards;
 - Staff count at Sencio's Head Office has been reduced. Sencio's Head Office costs have reduced from £877K in 2012 to £807K in 2014.

28 Sencio has identified additional pressures on staff costs:

- The living wage;
- Although the average headcount has gone down, automatic enrolment in pensions has increased staff costs.

Recent Investments and Improvements made by Sencio

29 Sencio has reported to us the following investments to improve the leisure offer in the District:

- An investment of £57K in 12 power-assisted exercise machines at White Oak Leisure, designed for older people, those recovering from operations and those who are not fit enough to do other sorts of exercise. Sencio has converted the old bar area at White Oak to accommodate the machines. Latent demand for these machines is 2,900 and only a 10% take up will bring profit of £20K per annum.
- A new updated Front of House system has been installed. This system will help with increasing online bookings.
- Automatic renewal letters will go out by email to save postage costs.
- Linking Sencio's website with external partners is bringing Sencio commission.
- A finance and payroll system upgrade has saved Sencio £10K.
- Sencio has diversified the offer to customers. Recent innovations include "Smash Up" badminton for young people and archery tasters for young people.

Sencio Sales & Marketing

30 In order to improve the sale of memberships across Sencio facilities, Sencio recruited a new Sales Manager from the private sector. He joined Sencio in 2013 and has undertaken the following work:

- Mystery shopping at all three leisure centres. He found friendly, helpful staff but no real processes in place to sell memberships.
- Staff at all leisure centres, particularly Front of House staff, were given sales training and the confidence to be able to sell memberships and give advice to sessional customers to offer memberships that will offer better value;
- Sales campaigns and promotions are planned with Sencio's Marketing Manager, keeping messages simple and varying the types of offer.

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- Operation Boomerang: When customers request cancelling memberships, sales staff are empowered to be able to make further special offers to persuade customers to stay on board.
- Sencio customers maintain memberships for much longer (over 25 months) than the industry norm (16.7 months).
- 7 day trial passes are offered to friends of new members, as this helps members settle in and helps drive new member enquiries.
- Sencio charges the same membership prices and rates at all three leisure centres.

31 The main reasons for customers cancelling memberships are moving away, ill health and time pressures.

Benchmarking Sencio

32 Officers have undertaken an exercise to benchmark Sencio against other leisure providers for other Kent local authorities. There are a variety of payment arrangements adopted by other Councils:

Those Councils who pay subsidies: -

- Council A gives a total of £ 588K to a leisure trust for the management of five leisure centres. In addition, Council A pays £50K to the same leisure trust for management of a theatre until September 2016. The leisure trust pays utility costs at each facility for the 5 leisure facilities which are on full repairing leases.
- Council B pays a total of £116,300 in management fee to a leisure trust to management two facilities. The Council is responsible for all repairs, renewals and insurance and has a capital budget of £384K in place over five years.

Those Councils who do not pay subsidies: -

- Council C's two leisure facilities are run by a leisure trust. The Council pays **no subsidy** to the leisure trust, but has made capital investments in the buildings, which are leased on a part repair lease. According to the contract, the Council will receive any financial surplus, but the Council is liable for insurance, utility price increases, gym equipment lease costs etc.
- Council D has awarded contract to run a new build leisure centre to a large leisure operator. **The company pays the Council** in order to run the contract and has full commercial and building risk. The Council recharges insurance costs to the operator.

33 A spreadsheet containing details of Council leisure operators are set out in confidential appendix B.

- 34 It should be noted that some Councils pay no subsidy and in fact are paid by the NSFP (no subsidy fee paying) Operator to run its facilities. As noted above, were SDC to engage such an operator that would result in a saving of at least £356,122 per annum.
- 35 In its review of the other facilities and leisure run by such NSFP operators the subcommittee noted there appeared to be no reduction in the quality of the service provider and indeed the commitment to investment into the facilities managed was significant.

One local Council, for example, received an annual payment from their operator (in the amount of £150,000) and the arrangement was 'working very well'. This included a £1.7 million redevelopment of their facilities, paid for over the course of the contract by the Operator. Their full response is contained in confidential Appendix F and meeting notes dated 10th December 2015.

Other Leisure Providers

- 36 Members met three leisure providers to provide a context against which to evaluate Sencio. Notes of meeting with providers are set out in confidential Appendix E.

Provider A: Subsidy Payment

- 37 Provider A was set up in 2004 on a five year lease to manage a contract with another private provider to run leisure provision in two locations for the local authority.
- 38 In 2009, the contract was not going well and was renegotiated to run to 2019 with Provider A becoming an IPS with charitable status.
- 39 Day to day running of leisure centres is undertaken by Provider A, but background work (eg human resources) is carried out by the private provider.
- 40 Facilities managed are a leisure centre with a 25m pool, gym and 6 court sports hall and a second leisure centre with a 25m pool, gym, workout studio, 4 court sports hall and outdoor paddling pool. A third leisure centre in the Borough is subject to a separate contract with another provider.
- 41 The local authority makes the following payments on an annual basis to Provider A:
- £ 420,000 Annual management fee
 - £ 80,000 Asset maintenance costs
 - £ 110,000 Car park refunds

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- 42 Once Provider A breaks even in any given year, there is a profit share with the local authority. The local authority will take 75% of profits made and Provider A 25%.
- 43 There is aspiration to rebuild or refurbish the existing leisure centres as part of a strategic vision for the local area and regeneration of the town centre.
- 44 Provider A charges different membership prices for the two leisure centres as the towns have very different demographics. One of the towns is one of the most deprived areas in the county. Basic memberships are £19.95 and £16.95.
- 45 It will be noted that this Provider operated in an area of the Country with significant financial deprivation, which was reflected in the membership price.

Provider B: No Subsidy Fee Paying

- 46 Provider B, a registered charity and a company limited by guarantee, was set up in 2000 to promote healthy lifestyles and encourage participation in sport and physical activity.
- 47 Provider B has enjoyed continued growth and development with annual surpluses each year. It is driven by increasing participation, increasing customer satisfaction, investment and developing resources. Provider B aims to grow sustainably rather than aggressively.
- 48 Provider B has 23 clients, including London boroughs, District/Borough Councils and one national governing body. The facilities it runs include 83 swimming pools, 31 sports halls and 64 health/fitness centres. They aim to offer private facility standards and mid range prices.
- 49 Provider B has a range of contractual models with local authorities, including 19 traditional leisure management contracts with 3 to 20 year leases and four long term leases of 30 to 50 years. Some contracts entail a subsidy from the partner authority whilst others make payments to partner councils. Contracts are agreed based on council need and the condition of leisure facilities. Each contract agreed will be different.
- 50 For Councils that are paying Provider B to run facilities, Provider B makes changes that will increase income and ultimately eradicate subsidies.
- 51 Case Study - District Council 1:
 - District Council 1 was paying their leisure trust £ 800K to manage 5 facilities.
 - Provider B took over a portfolio of 5 facilities in 2012, on a 10 year contract.
 - Provider B eradicated District Council 1's subsidy from day one.

- Provider B has managed £3 million investment over three sites, funded by District Council 1's prudential borrowing.
- £ 500K redevelopment of a leisure centre to create a brand new gym and studio facilities.
- £ 250K redevelopment of a second leisure centre to improve the gym and studio facilities.
- A brand new leisure centre opened in another town in the District in August 2014.
- Participation overall in the District has gone up 40%.

52 Case Study -District Council 2:

- District Council 2 was paying an annual subsidy of £850K for 5 leisure facilities. There was a £ 5 million backlog of maintenance required for these centres.
- Provider B awarded a 50 year full repairing lease for all 5 facilities in June 2015.
- Within first three years of the lease, Provider B will invest £3 million into the facilities to deliver improvements.
- £ 550K redevelopment of a leisure centre planned.
- £ 2 million development of a second leisure centre planned.
- By year 5 of the contract, District Council 2's annual subsidy will completely disappear and Provider B will pay the Council a small rental for the properties.

53 Provider B operates a proactive approach to the management of energy and environmental impact. Their environmental management system is accredited to ISO 14001 and they have retained their Carbon Gold Saver Standard. They have extended the scope of their regular internal environmental audits and are undertaking a range of initiatives to deliver improved efficiencies in utility costs:

- Installation of variable speed drives to regulate the speed of fans and pumps. Currently installed in 11 centres and have delivered a cumulative reduction in electricity consumption of 12%.
- Installed a biomass boiler at a leisure centre, in partnership with the City Council. The boiler will deliver approximately a third of the total heat and power demand of the building.

54 Provider B's membership prices are tailored to the areas in which a facility operates; it does not impose corporate rates. Membership prices are based

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on need and affordability, so can vary from area to area and Council to Council.

Provider C: No Subsidy Fee Paying

- 55 Provider C was established in 1995. It has 26 local authorities and clients and looks after 82 leisure centres.
- 56 Provider C operates facilities to Quest principles (Leisure benchmarking and best practice arrangements). Provider C aims to offer clean, quality facilities, enhance community links, increase participation and strengthen sports development. As part of Provider C's commitment to sustainability, they obtain ISO:14001 environmental management accreditation certification for each centre they operate.
- 57 Provider C has a strong community focus and runs a variety of community programmes out of its leisure centres. 35 leisure centres offer GP referral schemes.
- 58 Provider C offers a variety of contract models for Councils and can run leisure facilities at a zero subsidy position or make payments back to partner councils.
- 59 Provider C manages Design, Build, Operate and Maintain (DBOM) contracts for clients. A subsidiary company to Provider C is a multi-disciplinary project management company offering bespoke services for the sports and leisure sectors. They have worked with local authorities from the earliest leisure facility design stage through to ongoing operation through DBOM, Private Finance Initiative (PFI) and Public-Private Partnership (PPP) contracts: -
- Provider C managed the construction of a new state-of-the-art leisure centre a London Borough, as part of the Council's £33 Million leisure investment programme.
 - A leisure centre in the north of England is a landmark facility procured under PFI to replace an old facility that was demolished in the 1990s. A strict budget was in place for this project and regular design reviews were conducted to monitor the budget versus the specification.
- 60 Case Study -District Council 1:
- Provider C took on a 25 year contract for three leisure facilities under a DBOM contract structure.
 - A leisure centre was built to replace an old centre which had been subject to flooding. The new centre was built alongside the old one to ensure there was no break in service for customers. An innovative design and construction solution was needed to obviate site instability and contamination issues.

- Two further leisure centres underwent significant refurbishment work to modernise and extend the facilities.

61 Provider C's size means that they can keep costs down with purchasing in bulk across multiple facilities.

Leisure Facility Membership Comparisons

62 A comparison of leisure facility membership prices is set out in Appendix C. Membership prices for a basic single peak membership range from £29.95 through to £85.00. Some operators offer off peak discounts and lower prices for single activity memberships (eg swimming only).

63 Membership prices are generally for a minimum time period (eg 6 months or a year) and operators offer a slightly more expensive rolling option that does not have a minimum time period. Some operators also charge a one-off admin fee for joining.

64 Across the nine operators listed, the average monthly membership fee is £47.76. Sencio's basic membership fee is £38.50 per month.

Conclusions

65 There are a number of positive aspects to the provision of leisure services by Sencio:

- Sencio's management fee has reduced by 84% between 2004 - 2015, but usage has risen by 4.3%. A table showing the reduction in management fee since 2004 is set out at Appendix A.
- Sencio has made some investments to improve the leisure offer in the District and maximise their income.
- Sencio's Sales Manager has made significant changes to drive up memberships and maximise income.
- Sencio has undertaken some measures to reduce head office and other costs.

66 However, to answer the principal question set out above, on balance and taking into the efforts by Sencio to increase its income and reduce its costs, this sub committee does **not** consider that Sencio offers good value for money.

67 In particular the sub committee notes: -

- The losses incurred by Sencio in four out of the last five years (thus failing to ensure that income significantly outweighed operating costs);

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- The lack of buying power in relation to utilities and difficulties in implementing other economies of scale due to its small operational size;
- Above all that SDC continues to pay large management and asset maintenance fees while other Councils in Kent enjoyed arrangements which paid them a premium, while still enjoying good levels of service, including the provision of leisure facilities for disadvantaged groups at affordable pricing levels, and renovation of existing facilities.

68 In the short term, the sub committee urges cabinet to review the payment of such fees, including the payment of a management fee.

69 Finally, the Sports Development function was transferred to Sencio in 2004 along with the leisure centres. Delivery of this function includes liaison with community sports groups and delivery of disability and inclusive sports projects. Sencio is delivering part of this function but does not work on an outreach basis to local communities. The Council's Health & Housing Team has been successful in the outreach role in some parts of the District. It is recommended that the Council looks at whether it will be more effective for the Council to undertake this part of the sports development function and retain part of the management fee paid to Sencio.

Appendices

Appendix A - Leisure management fee comparison

Appendix B (Confidential) - Kent local authorities' leisure facilities operational arrangements

Appendix C - Membership Fee comparison

Appendix D (Confidential) - Lease Break Clauses

Appendix E (Confidential) - Notes of meetings with providers

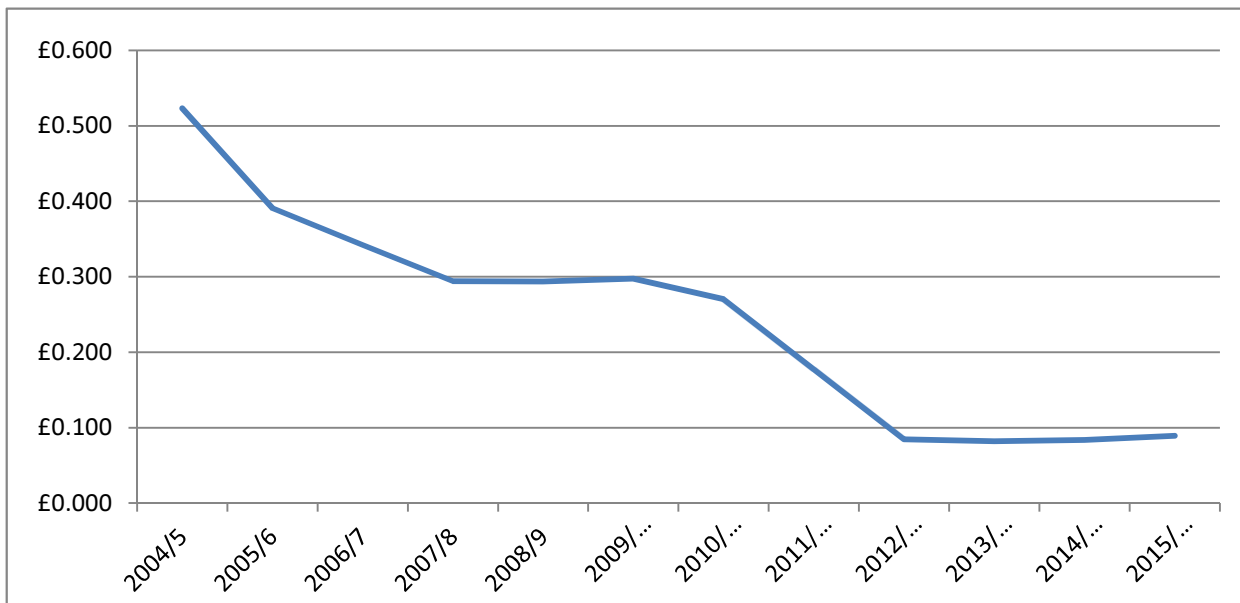
Appendix F (Confidential) - Email from Council re contractual arrangements with provider

Cllr Cameron Brown
Chairman of the Leisure In-Depth Scrutiny Working Group

Leisure Management Fee - Usage Figures Comparison

Year	Management Fee	Total Usage	Value for Money Cost per usage
2004/5	£486,000	929,289	£0.523
2005/6	£370,950	948,991	£0.391
2006/7	£320,950	938,295	£0.342
2007/8	£270,950	921,258	£0.294
2008/9	£270,950	922,274	£0.294
2009/10	£265,950	893,777	£0.298
2010/11	£240,950	891,516	£0.270
2011/12	£160,950	906,552	£0.178
2012/13	£80,950	955,169	£0.085
2013/14	£80,950	988,625	£0.082
2014/15	£80,950	969,453	£0.084
2015/16	£80,950	908,015	£0.089

Graph showing Cost per User against Year of Operation



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Appendix C

Leisure Centre Membership Comparisons

This information was taken from the website of the providers in question in March 2016

	Singles		Family		Senior	Admin Fee
	Peak	Off Peak	Peak	Off Peak		
Sencio	£38.50	£38.50	N/A	N/A	Seniors have access to Advantage card	N/A
Nizells	£85.00	£64.00				£39.00
Virgin Active (Bromley)	£67.00	£67.00				£30.00
Cygnets Leisure Centre (Northfleet)	£41.95	£41.95	£89.90	£89.90	£34.95	£50.00
TM Active (Tonbridge, Angel Centre and Larkfield Leisure Centre)	£44.00	£44.00	£60.00	£60.00	£35.00	
Tunbridge Wells Sports Centre (Fusion)	£49.00	£49.00	£115.00	£115.00		£35.00
Parkwood Leisure (Crook Log, Sidcup & Erith Leisure Centres)	£44.50	£44.50				£0.00
Maidstone Leisure Centre	£29.95	£19.95				
Swale Leisure	£29.95	£19.95				

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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