

Key features of the different management options

Option One: Advantages and disadvantages of in-house management

Advantages	Disadvantages
Council retains complete control of services and budgeting.	Large elements of discretionary services competing with statutory requirements and subject to cuts.
Supportive Members (portfolio holders) able to raise the profile of the service at a corporate level.	Council misses out on potential revenue savings from NNDR relief and VAT.
Council retains maximum flexibility regarding the scope and delivery of services.	Council retain liability for the operational performance of the services.
Council retains professional and operational expertise of culture and leisure services management and staff.	Council retain liability for the capital maintenance costs associated with the facilities.
Workforce remains within the local government framework.	Availability of council capital uncertain and often allocated on an annual basis.
Use of prudential borrowing to invest in facilities.	More difficult to demonstrate it is the best option due to lack of competitive process (if rigorous options appraisal not undertaken).
Cross departmental working resulting in efficiencies and savings and joined up services for customers.	Burden of large fixed central establishment costs and high employment costs.
Contribution to the Council's overall economies of scale.	Invest to save projects dependent on availability of in-house resources.
Ability to respond quickly to new initiatives, such as weight management and smoking cessation programmes, and to shape services to meet emerging council priorities.	Council misses opportunity to improve management of the service by accelerating decision making processes and providing greater autonomy for staff.
	No requirement for long term planning.

Option Two: Advantages and disadvantages of transfer to a new trust

Advantages	Disadvantages
<p>Significant savings on NNDR costs.</p> <p>Savings from the different treatment of VAT.</p> <p>Generally improves the council's overall position in relation to partial exemption threshold for VAT.</p> <p>Greater financial and managerial autonomy.</p> <p>Potential benefits from additional external funding opportunities.</p> <p>Opportunities for considerable community and staff involvement in the management of services.</p> <p>Benefits of having a single issue focus.</p> <p>Freedom from local government framework and decision making.</p> <p>Benefits of local focus.</p>	<p>Council loses direct control of service.</p> <p>New trust may not be able to demonstrate track record of expertise to potential customers and investors</p> <p>Difficulty in recruiting trustees of suitable expertise and calibre.</p> <p>Difficulty in attracting significant capital investment.</p> <p>Complex set up and transfer process. 9 – 12 months and set up costs of £100,000.</p> <p>Council retains ultimate liability for the operational performance and capital liabilities of the services.</p> <p>Transfer to new trust involves formal transfer of staff.</p> <p>Potential for links to be lost to other council services.</p> <p>Less ability to make support cost savings compared to an existing trust.</p> <p>Overheads of council's central services not transferred to trust and so will be spread over fewer services.</p>

Option Three: Advantages and disadvantages of transfer to an existing trust (NPDO)

Advantages	Disadvantages
<p>Significant savings on NNDR costs.</p> <p>Savings from the different treatment of VAT.</p> <p>Greater financial and managerial autonomy.</p> <p>Expertise and experience of management and staff of existing trust</p> <p>Potential benefits from additional external funding opportunities.</p> <p>Opportunity for considerable community and staff involvement in the management of services.</p> <p>Benefits of having a single issue focus.</p> <p>Potential greater opportunity to attract capital investment.</p> <p>Council likely to be able to transfer more operational risk over to existing trust.</p>	<p>Council loses direct control of services.</p> <p>May be a danger of conflict of interests and 'leakage' of surpluses between existing trust and LBB trust.</p> <p>Difficulty in recruiting trustees of suitable expertise and calibre.</p> <p>Lengthy and complex procurement and transfer process. Up to 18 months and set up costs of c£150,000 - £200,000.</p> <p>Transfer to new trust involves formal transfer of staff.</p> <p>Potential loss of local focus.</p> <p>Impact on central support services.</p> <p>Existing trust could be geographically remote from the council.</p>

Option Four: Advantages and disadvantages of a private management contract

Advantages	Disadvantages
<p>A commercial approach to management and income maximisation.</p> <p>Competitive bidding process means a council can demonstrate value for money and potentially reduce its subsidy.</p> <p>Significant access to development capital.</p> <p>Transfer of some risk and stable revenue funding (if long term contract is in place).</p> <p>Savings through economies of scale particularly on support costs such as IT, payroll, human resources and marketing.</p> <p>A partnership approach to service improvement with a planned programme of investment and development.</p> <p>Council has greater certainty of cost and ongoing revenue subsidy.</p> <p>Long term contract with performance guarantees.</p>	<p>Council loses direct control of services.</p> <p>Council's central services overheads are spread over fewer services.</p> <p>Lengthy procurement process and can be costly.</p> <p>No scope for revenue savings through NNDR relief and VAT treatment.</p> <p>Inflexible contracts – changes to services to meet emerging needs will come at a price.</p> <p>Restricted investment (if contracts are short).</p> <p>Contractors focused on income generation at the expense of social objectives – if not emphasised in contracts.</p> <p>Transfer to private contractor involves formal transfer of staff.</p>