



Leisure Management Options Report



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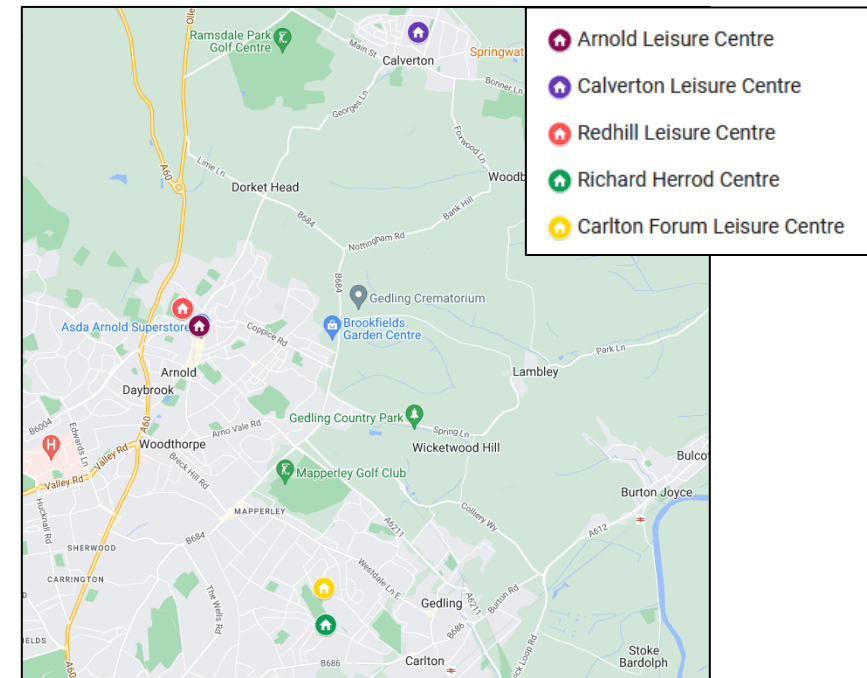
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1. INTRODUCTION

- 1.1. Max Associates has been appointed to update the management options analysis originally completed in 2023. This is to reflect changes in the leisure sector and also improved performance of the leisure centres over the last two years.
- 1.2. The Leisure Strategy 2025 provides the context and background to this management options appraisal, including a strategic review, local context and understanding of the area in which the leisure centres operate.
- 1.3. This appraisal considers all of the Council's existing leisure centres:
 - Arnold Leisure Centre
 - Redhill Leisure Centre
 - Carlton Forum Leisure Centre
 - Richard Herrod Centre; and
 - Calverton Leisure Centre.

Figure 1 – Gedling Leisure Facility Locations



1.4. The table below shows the main facility mix of the five leisure centres.

Table 1 – Leisure Facility Mix for Core Leisure Centres

Arnold Leisure Centre	Redhill Leisure Centre
<ul style="list-style-type: none"> • 25m pool • 12m leisure pool • Aqua aerobics 	<ul style="list-style-type: none"> • Gym • Badminton • Exercise classes • All weather pitch
Carlton Forum Leisure Centre	Calverton Leisure Centre
<ul style="list-style-type: none"> • 25m pool • 12m pool • Gym • Sauna and steam room • Sports hall • Exercise classes • Children's parties 	<ul style="list-style-type: none"> • 18m pool • Gym • Sports hall • All weather football pitch • Classes • Children's parties
Richard Herrod Centre	
<ul style="list-style-type: none"> • Indoor bowls • Sports bar • Events • Venue hire 	

1.5. The report has been structured with the following key areas:

- National Picture
- Local management arrangements
- Management models
 - Overview
 - Advantages and disadvantages
- Set up costs and timetables
- Evaluation criteria
- Evaluation of the management options
- Conclusions and recommendations

1.6. The local context and review of current financial performance is contained within the Leisure Strategy 2025.

2. NATIONAL PICTURE

2.1. National Strategic Review

2.1.1. Several national strategies and reports are important to consider in shaping local authority active wellbeing services. It is recognised that increasing participation rates in physical activity can have a far wider impact than an individual's physical wellbeing. It spans all sectors, from public health to environmental sustainability, regeneration, and economic growth. The priorities from these strategies have common themes, including connecting communities, inclusivity, improving environmental sustainability, and taking a place-based approach to the delivery of services and investment¹.

2.1.2. In August 2023, the Government released its latest strategy, 'Get Active: a strategy for the future of sport and physical activity', which details the ambition to help build a healthier nation by tackling high levels of inactivity, and by making sure the sport and physical activity sector thrives for future generations. The Government aims to ensure that everyone has the opportunity to be active with a vision to: make sport and physical activity accessible, resilient, fun and fair, for now and the years to come, for the benefit of individuals and the country. The target by 2030 is to see 2.5 million more adults and 1 million more children being classed as active in England.

Figure 2 - National Strategic Review



¹ A full list of the strategies and their respective priorities is included in Appendix 1.

2.1.3. The strategy highlights that:

“Public leisure provision has an important role to play in contributing to a happier and healthier society. Providing more than just a venue for people to play sport and get active, public leisure and sport facilities also support wider community wellbeing. For the leisure sector to be fit for the future, it needs to be flexible and innovative in adapting to changes in participation habits and in securing investment. This includes consideration within the wider local authority landscape for how it can contribute to improving physical and mental health outcomes for individuals across the community, rather than sometimes just offering an alternative to other gym provision.”

2.1.4. In December 2022, Sport England published its “Future of Public Sector Leisure” report. The report prompts local and national partners to re-examine the purpose of their leisure services and assess whether they are delivering local community outcomes and aligning with broader strategic outcomes, particularly around health and wellbeing. It advocates that local authorities follow its direction of travel.

2.1.5. In November 2023, Sport England announced a £250m investment into their Place Partnership expansion programme. £190m of this funding will be focused on over 100 new places, which have the greatest need. An additional £35m will be invested to strengthen work with existing place partnerships, with a further £25m being made available to create a Universal Offer of key tools and resources, ensuring every area of England can access support. The first tranche of Places was announced in March 2025.

Figure 2 - Sport England - Future of Public Leisure Services



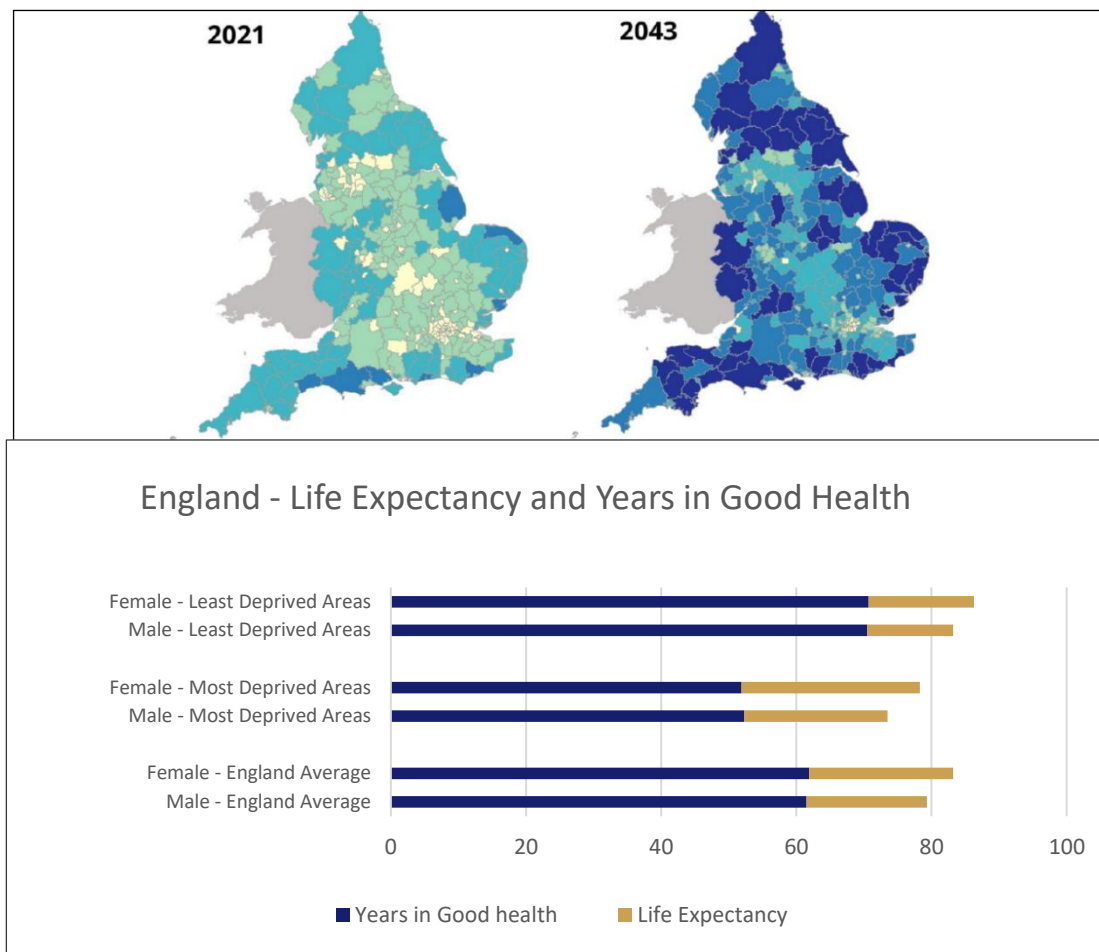
2.2. Health of the Nation

- 2.2.1. The need to increase participation in physical activity is highlighted when looking at the current health profile of England.
- 2.2.2. England has an ageing population, with many rural and coastal areas ageing at a faster rate and over recent years (Post-Covid), healthy life expectancy at birth has reduced².
- 2.2.3. People living with multiple health problems are increasingly common, particularly in people of working age. This includes conditions such as diabetes, heart disease, cancer, mental illness and musculoskeletal conditions, many of which can be positively impacted by increased participation in physical activity.
- 2.2.4. Evidence is also stark when comparing health issues and life expectancy for those living in the most and least deprived areas. The graph opposite³ demonstrates how those in the most deprived areas have a significantly lower life expectancy than those in the least deprived areas, as well as a considerably lower healthy life expectancy (how many years spent in good health).
- 2.2.5. Some of the key national statistics for health conditions across England are set out below.
- **64% of adults are overweight (including obesity)**, adult obesity prevalence has doubled over the last two decades.
 - 35.8% of year 6 children are overweight (including obesity).
 - From 2021-2022 to 2022/23, **Type 2 Diabetes registrations rose by c.168k**.
 - **982k people are estimated to be living with dementia** in the UK and is projected to rise to 1.4m in 2040.
 - **20.3% of 8–16-year-olds had a mental health difficulty** in 2023.
 - The rate of emergency hospital admissions for **hip fractures is 547 per 100,000 people**.

² DCMO – Improving Life Expectancy for all through activity and creativity – November 2024

³ [Inequalities in life expectancy and healthy life expectancy | The Health Foundation](#)

Figure 3 - Projected Rise in England's Population Aged 75 and Over



2.3. Benefits of Physical Activity

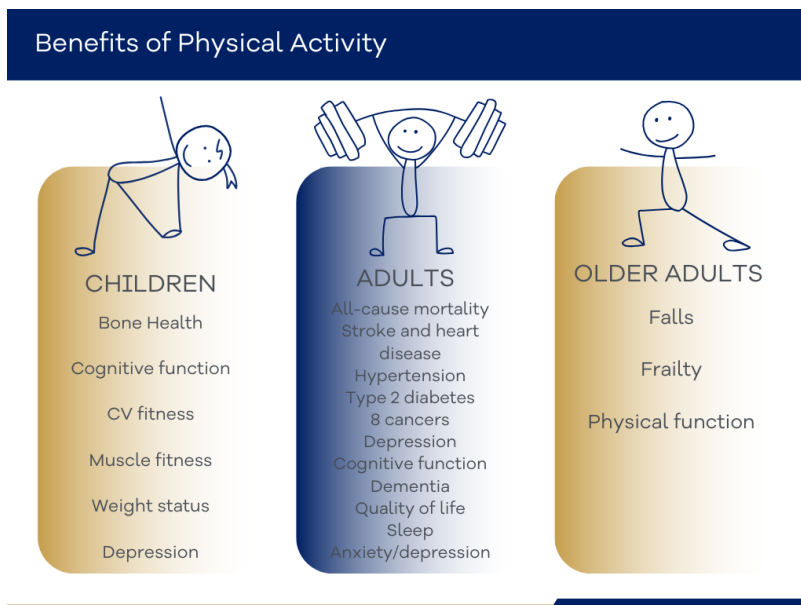
- 2.3.1. Data shows there is a strong correlation between regular physical activity and reducing the risk of several health conditions, such as those in Figure 6⁴.

⁴ [UK Chief Medical Officers' Physical Activity Guidelines](#)

Given the concerning national health statistics, there is an opportunity for active wellbeing to play a critical role in prevention, treatment and rehabilitation.

- 2.3.2. Additionally, recent research by the Youth Sport Trust⁵ shows sports participation in school is associated with higher levels of wellbeing for young people and a significant predictor of self-belief and mental toughness, which are key life skills for young people.
- 2.3.3. There is also a positive association between activity levels and mental wellbeing in that people who engage in sport and physical activity are less likely to feel lonely.
- 2.3.4. To achieve the benefits highlighted in Figure 5⁶, the following levels of physical activity are recommended by the Chief Medical Office⁷.

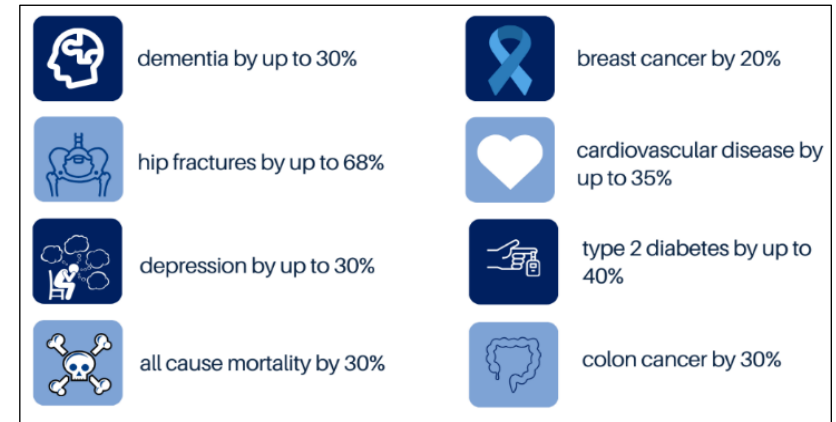
Figure 5 - Benefits of Physical Activity



⁵ The benefits of sport participation and physical activity in schools - Youth Sport Trust

⁶ <https://www.gov.uk/government/publications/physical-activity-applying-all-our-health/physical-activity-applying-all-our-health>

Figure 6 - Health Impact of Physical Activity



⁷ [UK Chief Medical Officers' Physical Activity Guidelines](https://www.gov.uk/government/publications/physical-activity-guidelines)

Figure 7 - Recommended Levels of Physical Activity

An **adult** should have **150 minutes** of moderate to vigorous physical activity **per week**.



A **child or young person** should have **60 minutes** of physical activity **per day**.

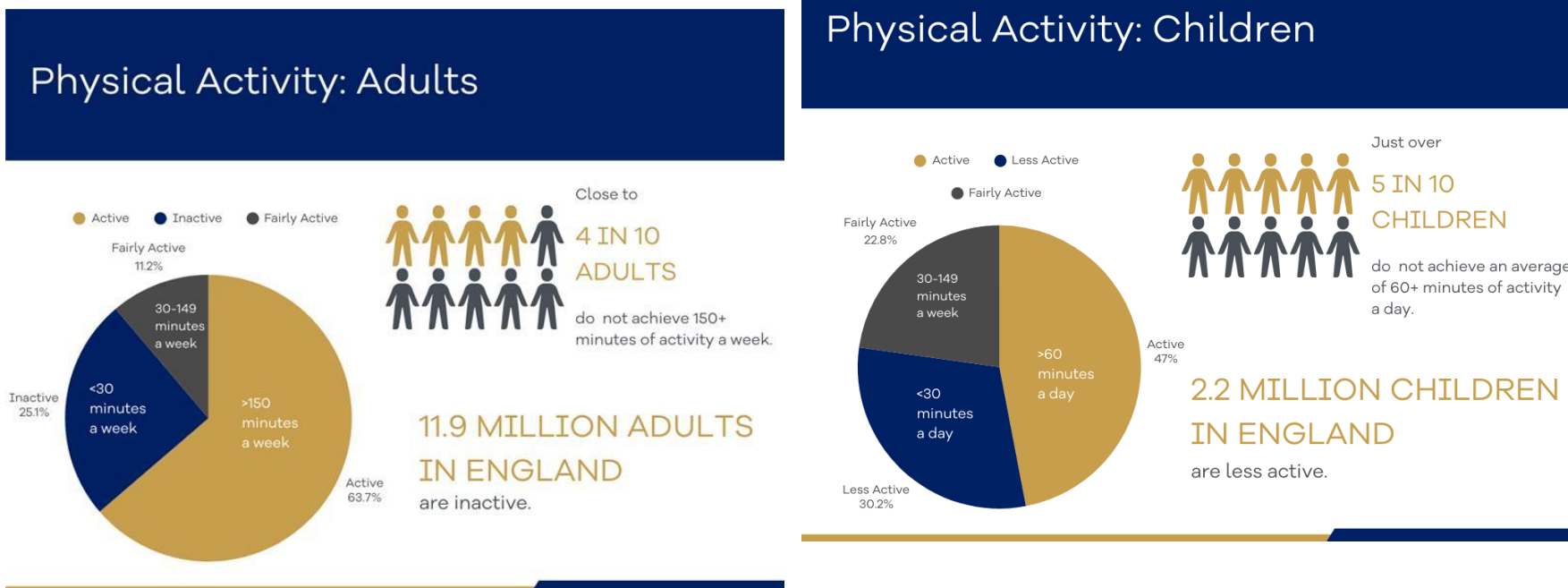


2.4. Physical Activity

2.4.1. The UK population is around 20% less active than in the 1960's and if current trends continue, it will be 35% less active by 2030.⁸

2.4.2. Just over a quarter of all adults aged 16+ in England are classed as inactive, and less than 50% of children are reaching the Chief Medical Officers' (CMO) Guidelines of being active for at least 60 minutes per day⁹.

Figure 8 - Adult & Children Rates of Physical Activity – Sport England (2024)



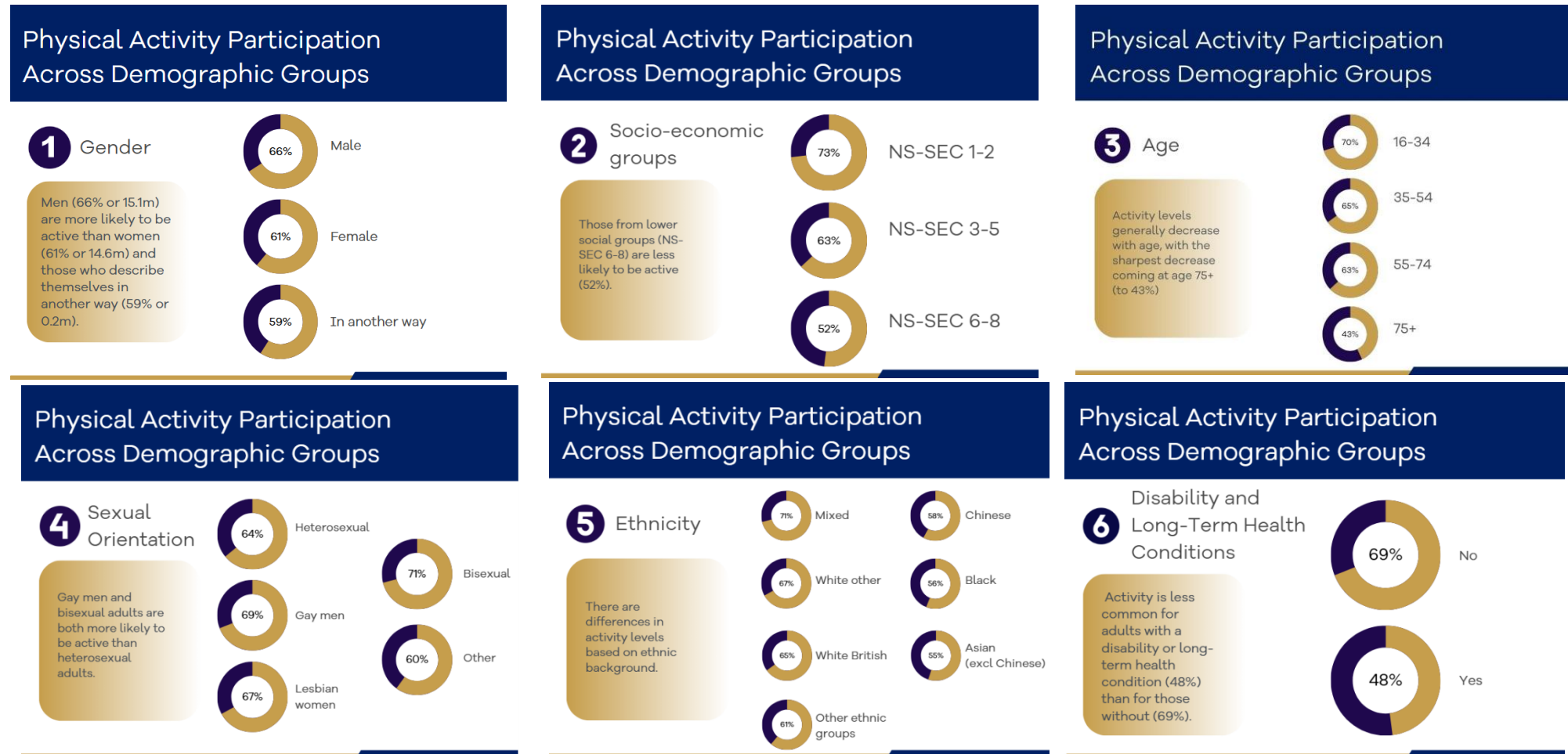
2.4.3. As with health conditions, there are significant inequalities with regard to physical activity participation in the most and least deprived areas.

⁸ <https://www.gov.uk/government/publications/physical-activity-applying-all-our-health/physical-activity-applying-all-our-health>

⁹ Active Lives | Sport England

2.4.4. However, other demographic factors impact rates of physical activity, including gender, ethnicity and health. Figure 9¹⁰ demonstrates how those aged 75 and over, those who are long-term unemployed or have never worked, those with a disability or long-term health condition, those from ethnic minority groups and women are all likely to be more inactive.

Figure 9 - Physical Activity Participation Across Demographic Groups



¹⁰ Sport England Active lives Survey 2024

2.4.5. There are a range of barriers that inhibit people from participating physical activity. These barriers can be split into four key themes. Examples are included in Figure 10¹¹.

Figure 10 - Example Barriers to Physical Activity



¹¹ DCMO – Improving Life Expectancy for all through activity and creativity – November 2024

2.5. Wider Impact of Physical Activity

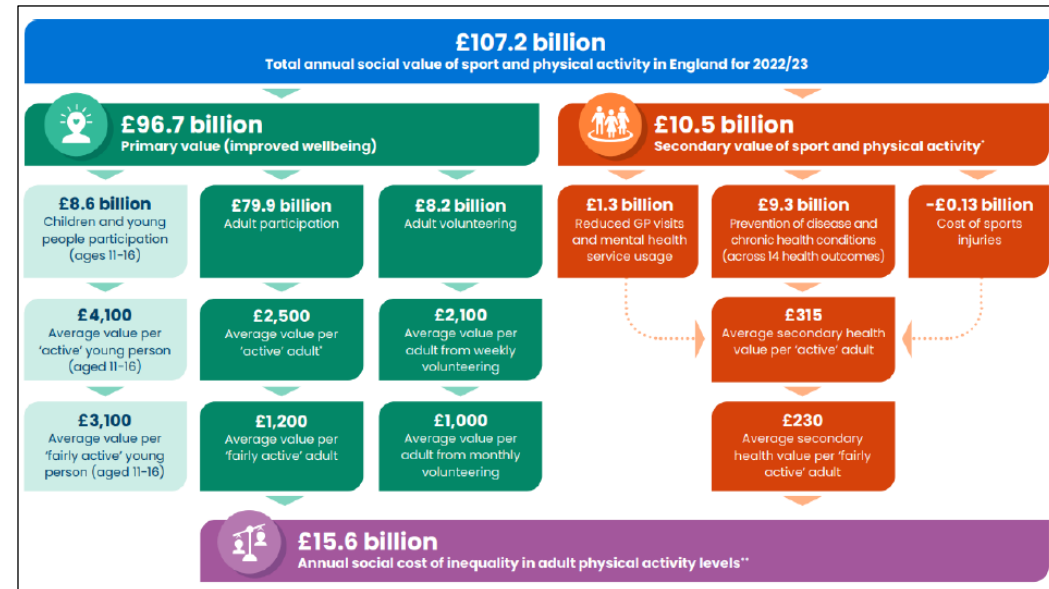
- 2.5.1. As well as the well-known health benefits, physical activity contributes to wider social, community and economic priorities. Recent Sport England data calculates the total annual social value of sport and physical activity in England to be £107.2 billion¹².

Figure 11 - Wellbeing Impact of Different Demographic Groups



¹² Sport England – Social Value of Sport Report 2024

Figure 12 - Social Value Impact of Sport & Physical Activity



- 2.5.2. The report highlights that for those who are more likely to be inactive (as set out in 2.4.4), the wellbeing value is significantly higher. The annual social cost of the inequalities in adult physical activity levels is £15.6 billion (across primary and secondary values¹³).

¹³ Primary Value – direct benefit and value to individuals of improved wellbeing. Secondary Value – The wider value to society, including the state.

2.6. Public Leisure Sector

2.6.1. The current leisure management market is very buoyant. There are considerable management contract opportunities out to tender at present and this is expected to continue throughout 2025 and 2026.

2.6.2. Whilst the externalisation of contracts remains the preferred choice for many Councils, following the changes to VAT treatment in 2023 for in-house delivery, there have been some contracts that have returned to in-house delivery from both local trusts and external contractors. Recent examples include Bournemouth, Christchurch and Poole Council and Stroud District Council. Both Council's already had an in-house offer and the remaining portfolios were brought in-house at the end of their contracts with an external provider. In these examples, the Council's both had strong financial and quality performance at their in-house sites and had an established central resource that could absorb the additional sites. A key factor in the decision-making to bring the centres back in-house was the ability for the Council to have greater control over the type and quality of services delivered to enable the service to better meet strategic priorities.

2.6.3. HMRC VAT Ruling 2023

2.6.4. On 3rd March 2023, new guidance from HMRC was released that confirmed that local authorities' leisure services are provided under a statutory framework and can be treated as non-business for VAT purposes. Therefore, councils can benefit from VAT relief on sporting income, without risk of exceeding their diminimus value.

2.6.5. Previously, local authorities were treated as undertaking business activity if they provided leisure services to members of the public. This treatment was based on the understanding that when local authorities provided leisure services, they were not acting as a public authority.

2.6.6. A local authority acts as a public authority when they're carrying out their statutory public interest activities for the service of the community.

2.6.7. This treatment was challenged by several local authorities and the matter was considered by the courts.

2.6.8. The courts found that local authorities' leisure services are provided under a statutory framework and can be treated as non-business for VAT purposes.

2.6.9. Before a public body, such as a local authority, can treat a supply as non-business, it must be shown that this treatment would not significantly affect competition.

2.6.10. Consequently, HMRC conducted a detailed analysis of the leisure services sector and found that allowing local authorities to treat their supplies of leisure services as non-business would not significantly affect competition.

2.6.11. As a result of this change, local authorities that charged their customers VAT at the standard rate can apply the non-business treatment to their supply of leisure services.

2.6.12. This change excludes:

- catering
- adult or children's clothing
- water bottles
- sporting goods
- items from vending machines
- car parking

2.6.13. The benefit of 'non-business' treatment of income is the ability to recover VAT on related expenditure, but this is not subject to any limitations provided under Section 33 of the VAT Act 1994.

2.6.14. Further details are available here: [HMRC-revises-treatment-of-VAT-on-in-house-leisure-services-November-2023.pdf](#) (max-associates.com) and [Local Authority Leisure Services – VAT efficiencies and the rise of the agency outsourcing structure - Max Associates.](#)

2.6.15. Agency Model

2.6.16. As a consequence of the VAT ruling in 2023, leisure operators have developed agency model structures to offer local authority partners the most financially advantageous contract. Under this structure, the operator manages the services as an Agent for the Council, which essentially removes the irrecoverable VAT costs from the operator that they would incur under their standard company structure. This, combined with their commercial approach and ability to achieve NNDR relief, can offer Council's significant financial savings. However, under this model, if HMRC were to change its position, this would sit as a Council risk (as per Change in Law risk).

2.6.17. The agency model is a relatively new structure for the sector, however, it has now been implemented in a number of contracts, such as London Borough of Hillingdon contract with Greenwich Leisure Ltd (GLL). All of the large leisure operator companies, including Parkwood Leisure, Places Leisure, Freedom Leisure and SLM (Everyone Active) are developing

and/or implementing agency agreements with their local authority partners. Where Max Associates has been involved in procurement projects in the last 12 months, some operators are bidding on the basis of an agency model.

2.7. Local Authority Devolution

2.7.1. Proposed structural changes to [local government in England](#) were set out in the [English devolution white paper](#) published by the UK Government on 16 December 2024. The white paper announced that, where possible, there was a desire for existing two-tier areas (where services are provided by both county councils and district councils) to be reorganised into a smaller number of unitary authorities, where local services are provided by a single authority for at least 500,000 people.

2.7.2. Reorganisation will entail seismic change for local government in two-tier areas. The government has directed a total reorganisation of two-tier local authority areas across the whole country, which will mean the unitarisation of all authorities in county/district local authority areas. It will also mean the boundaries of some unitary authorities will be redrawn. For county and district councils, it will mean they will likely be absorbed into new unitary authorities that will have new powers and responsibilities, i.e. education and social care, that they didn't have any control over before.

2.7.3. For leisure services, where local authorities are merging, it will result in a mixed management approach, with potentially different providers or different models across one unitary authority area.

2.7.4. A new unitary authority will need to consider how the strategic priorities for physical activity and health need to be adapted or developed for the new council area, including how the built facilities meet resident needs and ensure there is equality of access to facilities and services across the council area.

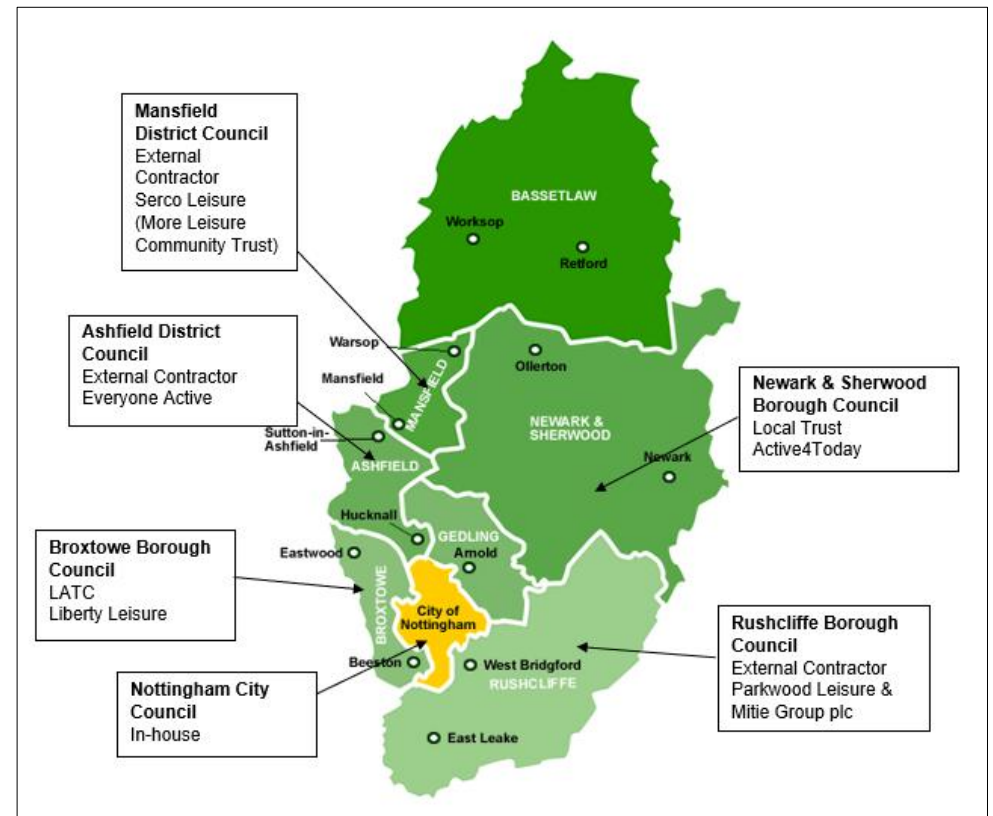
2.7.5. Devolution has potential benefits for leisure services, including greater cross-department working in key areas such as public health and

education. However, there are concerns over how leisure will be impacted, particularly with regard to funding, as a non-statutory service.

3. LOCAL MANAGEMENT ARRANGEMENTS

- 3.1. Map 1, opposite, shows the current management arrangements in neighbouring local authorities.
- 3.2. There is a mix of management models surrounding Gedling, from in-house delivery in Nottingham to local trusts in Broxtowe and national external contractors in Ashfield, Mansfield and Rushcliffe.
- 3.3. Given the surrounding management contracts, it is anticipated that there would be significant interest in the Gedling contract should an external contractor be the recommended model.
- 3.4. **Current Leisure Management Market**
 - 3.4.1. Following a relatively quiet period for leisure procurement post-Covid, 2023/2024 and 2024/25 saw a significant increase in the number of leisure procurement projects, which has continued in 2025/26. The market is actively pursuing and bidding for new contracts; however, due to the high number of opportunities, the timing of any future procurement (if appropriate) and pre-tender market engagement would be critical to maximise participation.

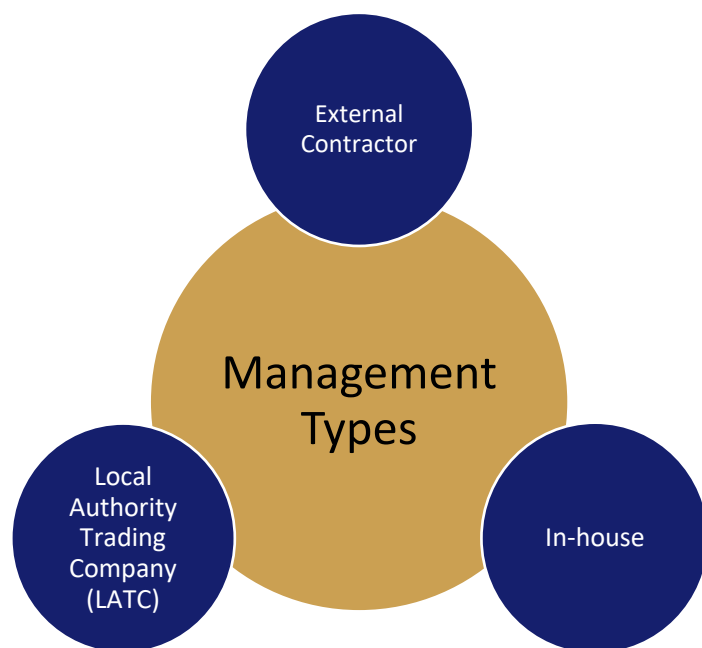
Map 1 – Local Management Arrangements



4. MANAGEMENT MODELS

- 4.1. The management models being explored for the services are set out below. The purpose of this appraisal is to determine which of the following delivery models is best able to meet the Council priorities, financial objectives and service delivery requirements.

Figure 13 - Management Types for Consideration



4.2. Delivery Model Characteristics

- 4.2.1. The general characteristics for each model are set out below.

4.3. In-house (Current Model)

- 4.3.1. The services are delivered through direct management of facilities through frontline staff.
- 4.3.2. The Council has full responsibility for all income and expenditure risk and is responsible for future lifecycle investment and replacement of equipment. With this model, the Council has full control over all aspects of service delivery, including pricing, programming and marketing.
- 4.3.3. The in-house option allows for full flexibility for delivery and decision making from elected members. Staff can work across the leisure and wellbeing service and with other Council services with ease.
- 4.3.4. The Council has direct delivery of what is seen as a high-profile service for the community.
- 4.3.5. The 2023 VAT rulings mean leisure can be treated as 'non-business', meaning the Council can benefit from VAT relief on the majority of income. It also has the added benefit of having no irrecoverable VAT costs that external contractors and LATCs have.

4.4. External Contractor

- 4.4.1. Under this option, the Council would retain strategic control of the service and outcomes via its service specification. The responsibilities of each of the parties are defined within a contract. Specifications are output-based, with the contractor providing method statements which form part of the contract, detailing their approach to achieving the specification requirements and performance outcomes.

- 4.4.2. The contractor takes a prescribed level of risk. The contractor is normally provided a degree of flexibility in programming, pricing and marketing and is committed to meeting Council objectives; for example, increasing participation and reducing subsidy.
- 4.4.3. Within the last few years, some contractors have become more risk-averse or are charging premiums where they must accept more risk than they are normally willing to take. Councils are increasingly having to accept a 'shared' risk position in, for example, utility tariffs, building structure (particularly in ageing facilities), buildings insurance, pension contribution rates and change in law.
- 4.4.4. Contractors typically have experience in delivering and project managing leisure centre investment projects.
- 4.4.5. Most external operators have governance structures that can lever in NNDR / VAT efficiencies, although the Council needs to be clear where the risk will lie if any NNDR / VAT savings are not realised or are lost during the contract period.
- 4.4.6. These organisations are commercially focused and able to optimise income generation from leisure facilities, gyms, swimming lessons and group exercise classes. This can enable cross-subsidy to resource community interventions where specified within the contract, or the savings used for direct delivery of these programmes by the Council.
- 4.4.7. Larger multi-site leisure operators tend to have significant buying power, economies of scale and standardised systems of work. This is often linked to a corporate feel/brand and look to customer-facing areas in the facilities they manage.
- 4.4.8. Staff would transfer under TUPE regulations from the Council to any new external contractor. Senior management will normally be based at a head office and not locally.

- 4.4.9. Their focus will be on the whole organisation rather than on local issues. Local issues will be the focus of the contract / regional manager.

4.4.10. **Agency Agreements**

- 4.4.11. Increasingly, leisure operators are offering Council's the option of implementing an agency agreement, which effectively reduces their expenditure by removing the irrecoverable VAT costs; this benefit is passed straight through to the management fee.

- 4.4.12. Through procurement processes, bidders can be offered the opportunity to propose agency agreement options.

- 4.4.13. If the Council were to consider an agency agreement, it would need to take specific legal and VAT advice on any proposals.

4.4.14. **Agency Model Process**

- The operator collects all leisure user income acting on behalf of the Local Authority, which, under the HMRC guidance, may now be considered 'non-business' (without adverse partial exemption implications).
- The operator would invoice the Council for their service costs and margin as agreed in the contract ('Agency Fee'). Where relevant this would be adjusted by any income under or over performance, as stipulated in the contract. This ensures the Operator retains the element of risk as it would under a standard leisure management contract.
- The Council would be able to recover the VAT on the invoice.
- As the income recovered would now be substantially non-business income to the Council, the operator would be able to recover all their input VAT on supplies expended to operate the service, therefore lowering the cost of the service.
- Any surplus share mechanisms can be retained.

- 4.4.15. The following activities are accepted as non-business activities:

- Memberships
- Facility visits (for sport or recreation).
- Letting of sports facilities.
- Letting of non-sports facilities for sports, e.g. community centre.
- Leases of Council-run sports facilities.
- Letting of Council recreation grounds for sports events.
- Sports tuition and education.

4.4.16. The Chelmsford Ruling does not apply to ‘non-sports’ supplies such as catering, clothing or equipment sales, vending sales, car parking, and general room lettings.

4.4.17. There should be no overall adverse impact on the relevant local authority’s partial exemption calculations as, further to the treatment of the majority of leisure services income as non-business, minimal or zero exempt supplies will be made.

4.4.18. There is nothing intrinsic within the Agency Model that requires any adjustment to customer prices.

4.4.19. The Operator would also retain the risk on any changes to service costs, unless the contract stipulates otherwise, as well as retaining the risk on income generation.

4.4.20. Under the Agency Model, the income collected from the provision of leisure services to users will be income for the Council. Consequently, it is anticipated that the income will need to be reflected in the Council’s accounts.

4.4.21. As the income would be collected by the Operator on the Council’s behalf, the Operator would need to provide necessary information to the Council

in a timely manner so that any VAT can be accounted for by the Council correctly.

4.4.22. Any application of an Agency Agreement will need to be subject to specialist legal and VAT advice.

4.5. Local Authority Trading Organisation (LATC)

4.5.1. The Council would establish an ‘arm’s length’ organisation to run the facilities and services on its behalf.

4.5.2. LATCs are bodies that are free to operate as external companies but remain wholly owned and controlled by the parent council. As trading bodies, LATCs can provide their services to a wider market than a council department.

4.5.3. LATCs are contracted by the parent council to provide services back to the council via a service contract.

4.5.4. However, the Council may decide to apply the Teckal¹⁴ exemption, which allows the authority to establish a LATC without the requirement for a procurement exercise. It is based on case law but is codified in the Public Contracts Regulations 2015. In general, the terms of exemption require:

- The Council to control the vehicle as if it were an internal department, with there being no direct private share or ownership participation in the company (this is known as the control test).
- More than 80% of the vehicle’s activities (over a three-year average) are to be with its ‘parent’ council(s) (this is known as the function test).

¹⁴ A “Teckal” company is the common name for a **company which benefits from contracts for works, services or supply** from its controlling Contracting Authority (or Authorities) without having to go through a competitive tender process.

- 4.5.5. A LATC can be set up as not-for-profit, which is able to benefit from similar tax exemption benefits to an NPDO trust. However, it would not have charitable status.
- 4.5.6. They can be a preferred 'cultural fit', compared to procured and independent charity models. However, both risk and reward ultimately remain with the Council.
- 4.5.7. A LATC can act as an Agent on behalf of the Council, maximising VAT efficiencies.
- 4.5.8. There are many forms which a new organisation could take, including but not limited to the following:
- Co-operative or Community Benefit Society
 - Company Limited by Guarantee (CLG)
 - Charitable Incorporated Organisation (CIO)
 - Community Interest Company (CIC)
- 4.5.9. A summary of the options to transfer services to a new corporate vehicle is included in Appendix 2.

4.6. Advantages and Disadvantages

4.6.1. The advantages and disadvantages of each option are further outlined in more detail in Table 2. The table shows the industry position on the advantages and disadvantages of each management model.

Table 2 – Advantages and Disadvantages of Alternative Delivery Models

Option	Financial	Quality	
External Contractor	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> Undertake a competitive process to manage services – ensures best value. Can implement an Agency Agreement to improve the financial position. Gain the benefits of an organisation already set up to maximise VAT and NNDR efficiencies. Commercial approach with health and fitness membership sales, swimming lesson income, catering and retail. Economies of scale in purchasing utilities, R&M contracts, fitness equipment, etc. Profit share mechanism in place. (Although if the contract doesn't perform to projections, no benefit to the Council). The Council has an agreed management fee profile, which gives budget certainty and the ability to plan for the long term. Can deliver large-scale development projects and will provide the Council with cost certainty for a project or scheme. (Funding would be from the Council). 	<ul style="list-style-type: none"> An output-based contract can be developed linked to current Council priorities, so the Council does not need to be involved in day-to-day operations. Links with NGBs, suppliers and other physical activity providers to implement new programmes/activities across their portfolios. Head office specialists enable operations to be the 'latest' in the market. Enables best practices from several contracts to be disseminated across facilities. Likely to be better placed to successfully operate in a competitive commercial fitness market. Branding and marketing are strong. Generally, have well-structured Quality Management systems covering general operations, H&S, all product areas, etc. 	<ul style="list-style-type: none"> A contract and specification that ensures roles and responsibilities are clearly defined between the parties. Income risk and some expenditure risk are transferred to the operator. Larger operators can 'spread' the risk of the contract across their company. Contractors and, in particular, those with 'hybrid trust' structures, may propose that risk on loss of NNDR and VAT relief, even where their structures are eligible for such relief, remains with the Council. Partners are unlikely to accept risk on utilities tariffs, LGPS pension contributions, NJA salary rises above inflation, and the building structure of older buildings. Contracts will include pandemic-related clauses, with risk remaining with the Council. Financial risk premiums may be built into the tender price if the risk profile deviates significantly from the Sport England template.
	Disadvantages	Disadvantages	Other Considerations
	<ul style="list-style-type: none"> Will want a contract/risk profile to protect against the impact of Covid or similar circumstances in the future. 	<ul style="list-style-type: none"> Operations can be 'corporate' as opposed to locally led. Operators from larger organisations are likely to wish to use their own branding and corporate 	<ul style="list-style-type: none"> The Council will have to undertake a compliant procurement procedure to select a new operator. Cost of procurement and monitoring, officer and external support.

Option	Financial	Quality	
	<ul style="list-style-type: none"> Changes to the specification/contract require a variation that can affect the management fee and incur legal costs. The Council is obliged to fulfil its responsibilities or be subject to a claim from the operator. 	<p>procedures for core income-generating activities, fitness and swimming lessons</p> <ul style="list-style-type: none"> It can be harder to work with other partners effectively; other council departments, education, active partnerships. 	<ul style="list-style-type: none"> Ongoing contract monitoring resource required within the Council. Timescales – c.12-18 months including mobilisation.
In-house	Advantages <ul style="list-style-type: none"> Council does not pay for any risk premiums, and can easily change service inputs to meet budgetary requirements. Share support costs with other departments. Economies of scale are normally achieved in utilities purchasing. Effective purchase ledger and accompanying budget monitoring systems in place. Low costs in providing capital if the Council has access to it. In-house teams can secure and support external commissions from partners such as Public Health. Benefit from 2023 VAT guidance treating leisure services as ‘non-business’, making it competitive against external contractors and LATC models. 	Advantages <ul style="list-style-type: none"> Increases Council control over leisure services. More effective cross-department working; public health, education, open spaces and community development. Officers have the autonomy to make local decisions. Members/officers feel that they ‘own / have control’ of the services. Changes in priorities can be implemented quickly. Joined up service provision for residents. In-house teams can deliver a wider range of service offerings, including sports development/outreach, health interventions, library services, cultural services and special events. 	Risks <ul style="list-style-type: none"> All control and risk sits with the Council.
	Disadvantages <ul style="list-style-type: none"> Higher staffing costs due to Council terms and conditions. Increased costs due to staff being able to access the LGPS. Full NNDR payable In-house management is unlikely to enable the local authority to have financial certainty in relation to the cost of the service due to the lack of a contractually fixed cost or management fee. Budget set year on year and may be subject to reductions with changing priorities of the Council or central government. 	Disadvantages <ul style="list-style-type: none"> Limited access to the benefits of developing new opportunities and economies of scale, and also to the wider knowledge gained by experienced operators for innovation and development. Can be slower to react to introduce income-generating schemes. Without a defined specification, service delivery is often based upon short-term priorities. Often behind in industry innovation and new market-led products (for example, ICT initiatives). Officers must use Council procedures/contracts in areas that are not as effective/suitable for the 	Other Considerations

Option	Financial	Quality	
	<ul style="list-style-type: none"> Central/support costs of the Council can be arbitrarily included in leisure budgets and are sometimes disproportionate to overall service delivery. Any savings made within the service will go to the general fund and may lead to a reduced budget in the following year, not reinvested into the service/facilities. Cost management can be inhibited by having to use local authority systems and reporting. No 'sinking' fund in place for future lifecycle building works and equipment replacement. Limited access to external funding for programmes and initiatives. 	<p>services, for example, ICT / marketing and branding.</p> <ul style="list-style-type: none"> The Council can be slow to react to implement change, and is less able to react quickly to a highly competitive fitness market. Reporting is predominantly about financial and usage performance as opposed to outputs and impacts of the service. 	
LATC	Advantages <ul style="list-style-type: none"> The Council can support the LATC in respect of investment opportunities in relation to prudential borrowing, etc. New investment opportunities can be negotiated at any time during the contract period. Can implement an Agency Agreement to improve the financial position. Can maximise VAT and NNDR efficiencies Operate commercially. Support services – can purchase from the industry (e.g., marketing) or Council (payroll). All profits are reinvested back into the services/facilities, ensuring local investment. 	Advantages <ul style="list-style-type: none"> LATCs can deliver a wider range of service offerings, including sports development/outreach, health interventions, library services, cultural services and special events. Closer links with the community through local organisation. Single focus on service delivery. Staff feel more involved in the service delivery as not part of a large organisation. Set up and deliver community-led co-produced programmes to have a real impact on residents. Perceived that there is a better 'partnership' approach. Providing the authority with more direct strategic control over the service than a third party would. Can be politically more appealing as the authority is the shareholder. High level of control retained. 	Risks <ul style="list-style-type: none"> A contract and specification that ensures roles and responsibilities are clearly defined between the parties, but ultimately risk remains with the Council. Often set up with less well-defined contract, so that responsibilities are not clearly understood, or it is believed that contract terms are more easily varied (for example to meet council budget requirements). In many cases, funding agreements for LATCs are only agreed for the short term: 3-4 years, so the company operates on a short-term basis, which can be detrimental to the service. Reputational impact for the Council if the organisation is not successful. The local authority must control all of the shares in the LATC and must also exercise effective day-to-day control over its affairs; in other words, the

Option	Financial	Quality	
			same as the relationship between the local authority and one of its internal directorates.
	Disadvantages	Disadvantages	Other Considerations
	<ul style="list-style-type: none"> • Less able to withstand significant changes in leisure trends. • No other contract/sites to absorb poor financial performance. • Few economies of scale realised. • High central costs may reduce levels of potential surplus. • Single-authority LATCs are unable to offer economies of scale, and cost management may be more in line with an in-house management approach. A multi-authority LATC (i.e. one created by a group of local authorities across a region) may offer some economies of scale, albeit this would be limited by the total size of the parent councils' area and range of services provided by the LATC. 	<ul style="list-style-type: none"> • A board of trustees/directors need to be recruited. • All operational procedures would have to be developed by the new organisation. • No expertise from a 'head office'. • Expertise re. market-led product development may need to be bought in or learned as products mature in the industry. • Leisure centre marketing and branding expertise will need to be developed. • Can have a more relaxed approach to monitoring (for example, with no deduction mechanism) in place, which can lead to service delivery issues. 	<ul style="list-style-type: none"> • Can be set up in a timely manner. • There will be significant set-up costs. • One-off cost for branding the services. • A new organisation will require a large working capital budget to start the company, and the Council may need to provide a contingency/cashflow fund for the new organisation. • There will need to be a suitable lease/contract/funding agreement/services specification set up between the new organisation and the Council. • Timescales – 12-18 months.

5. SET UP COSTS AND TIMETABLES

- 5.1. Each alternative delivery model will have a different lead-in time to set up.
- 5.2. Re-procuring a new contract will require a new contract, leases and services specification to be developed.
- 5.3. A LATC will require similar documentation to an external contractor.
- 5.4. Any new company will also require formal registration/company documents, and the recruitment of the senior management team (Chief Executive/Finance Director, etc.).
- 5.5. The advisor fees are estimates and will be dependent upon whether the Council uses its own legal, financial and property services to procure the contract and leases for the new arrangements or uses external advisors.
- 5.6. The tables opposite set out indicative timescales and costs for each option.

Table 3 – Indicative Implementation Timescales

External Contractor - Procurement	
Action	Timescale
Commission internal and external procurement of legal / procurement/project management support.	2 months
Pre-procurement work – (objectives, draft specification/contract, leases and evaluation methods).	3 months
Selection questionnaire stage and evaluation / de-selection.	2 months
Tender stage (assuming competitive flexible procedure procurement route).	6 months
Award and Council sign off.	3 months
Mobilisation of new operator incl. TUP/staff consultation.	3/4 months
Total	c.12 - 18 months

Set up LATC	
Action	Timescale
Governance set up (if new company).	2 months
Technical set-up – IT/phones/websites, etc.	3 months
TUPE and staff consultation/considerations – alignment of staff designations to council structure (or new structures) and recruitment of new staff (board of directors for LATC).	6 months
Purchasing of uniform, supplies and equipment.	2 months
Setting up ongoing suppliers (fitness / IT/buildings, etc.).	3 months
Business planning / financial assessment – services and impact on council as a whole (e.g. VAT).	3 months
Marketing and branding development, and implementation.	6 months

Set up LATC	
Action	Timescale
Quality and H&S systems – development and implementation.	3 months
Total (some works streams can be completed in parallel)	c.18 months

5.7. Indicative costs of procurement

5.7.1. The typical costs of procuring a new contract are set out below and are likely to be in the region of £140k.

Table 4 – New contract procurement costs

Action	Cost
Legal / leases and contract completion	£60,000
Leisure procurement and project management	£50,000
Due diligence (for example, any additional building surveys required)	£30,000
Total	£140,000

5.8. Indicative Costs for setting up a LATC

5.8.1. Outlined overleaf are the indicative set-up costs if a new LATC were established.

5.8.2. The new LATC will be required to establish operational procedures and risk assessments and ensure all staff are trained in these prior to taking on management of the centres. All branding and marketing will also need to be replaced, and a website and online booking facilities set up.

5.8.3. During the mobilisation process, the Council and management team of the new LATC will also need to support the TUPE consultation process as the service transfers from the Council.

5.8.4. All equipment is owned by the Council, therefore it is assumed all equipment would transfer to the LATC at no additional cost.

Table 5 – LATC Indicative Mobilisation Costs

Set Up Costs	Estimated Costs	Comments
Consultancy Support/Project Management	£30,000	Additional consultancy/project management support to ensure the process is delivered within timescales and enable officers to concentrate on continued service delivery under the existing contract.
Rebranding, Marketing & Signage	£110,000	The new organisation will need to develop its own name and brand and produce marketing material for all sites.
Website & Social Media Set Up	£30,000	A new website will need to be set up, with online booking, etc.
ICT Systems and Equipment	£50,000	Front-of-house booking systems, ICT equipment for all centres and network support services required.
Legal Costs	£60,000	Governance documents for new organisation. Board/director/requirement and training. Contract documents and leases, including a funding agreement between the Council and the new organisation.
Operations Manual Set Up	£10,000	New operational procedures will need to be drafted with copies provided to each centre – additional expertise may be required to ensure they meet industry standards.
Launch Costs	£20,000	Costs associated with launching and promoting the start of the new contract.
Staffing*	£202,200	See table 13 for workings.
Risk & Contingency	£50,000	To provide a level of working capital for the organisation.
TOTAL COST	£562,200	

*To deliver the set-up and mobilisation requirements, the new organisation will need to provide sufficient staff resources.

5.8.5. The detailed staffing resource required is outlined further in the table below.

Table 6 – Indicative Staffing Resource for New Organisation (assumed not to be aligned to Council terms and pensions etc.)

Staffing	Salary	Salary plus on-costs (20%)	Estimated Cost
6 months prior to commencement:			
Chief Executive	£70,000	£84,000	£42,000
Head of Operations	£55,000	£66,000	£33,000
Head of Finance	£55,000	£66,000	£33,000
Branding / Marketing	£50,000	£60,000	£30,000
ICT manager	£50,000	£60,000	£30,000
3 months prior to commencement:			
HR Manager - TUPE consultation, etc.	£50,000	£60,000	£15,000
Admin	£32,000	£38,400	£9,600
1 month prior to commencement:			
Admin team x 3 (Finance / HR, etc.)	£96,000	£115,200	£9,600
TOTAL			£202,200

6. EVALUATION MODEL STRUCTURE

- 6.1. When considering alternative management models, the ability of alternative models to deliver key service and financial outcomes is important. However, some will be more important than others, and there are other factors to consider, for example, the ability to deliver key strategic outcomes and how risky and sustainable future models may be.
- 6.2. Following discussions with the Council, an evaluation matrix has been devised for the leisure services to assess each of the management options to reflect the Council's key strategic priorities.
- 6.3. Each option will be scored out of five against each criteria. The weighting is then applied to give an overall percentage. The scoring matrix is as follows:
- 1 – Is unable to meet the requirements, resulting in significant risk and/or cost to the Council.
 - 2 – Meets some of the requirements of the criteria, likely to increase risk/cost to the Council.
 - 3 – Can deliver against the majority of the criteria, moderate risk.
 - 4 – Can deliver against all elements of the criteria, lower risk/cost to the Council.
 - 5 – Can deliver against all elements of the criteria and provide additional benefits over and above the base criteria, least risk and/or cost to the Council.

Table 7 - Evaluation Criteria

Evaluation Criteria		Weighting
Delivery of strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council, including: increased usage and participation and working in partnership with	15%

Evaluation Criteria		Weighting
	communities and partners to deliver strategic outcomes.	
Quality of service and Customer satisfaction	How well will services be planned, developed and delivered to improve/maintain quality services. Ability to create high levels of customer satisfaction throughout all areas of service delivery.	15%
Council Influence and Control	Degree to which the option enables the Council to influence services on a day-to-day basis.	5%
Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term. Level of risk that can be transferred.	10%
Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services. Effective asset management. The degree to which the facilities and services will be protected. Can effectively collect, record, monitor and report on performance data to inform decision making process. Decision making - ability to implement changes efficiently and effectively.	10%
Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	5%
Revenue Implications and Value for Money	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs. Ability to reduce the net cost of the service. Ability to demonstrate and deliver value for money	30%
Capital resources	Ability to generate capital investment, attract external investment and support the design, build and mobilisation of new / re-developed facilities	10%
Total		100%

7. DETAILED EVALUATION

7.1. Revenue Implications

7.1.1. An initial financial appraisal of the management options being considered has been completed for:

- External contractor; and
- Local Authority Trading Company.

7.1.2. Under both options, the financial projections are based on the existing facility mix using the 2024/25 actuals.

Existing financial performance has been used in the evaluation of the revenue position for the in-house model.

7.1.3. Employment Rights Bill

7.1.4. It should be noted that the Employment Rights Bill is expected to come into force at some point during 2026. Current guidance suggests that the Bill will stop the implementation of two tier workforces. If this goes ahead then the potential savings on the staff costs will be significantly reduced as all new staff will need to be employed on comparable terms and conditions the staff that transferred from the Council. It is not yet clear whether this will also apply to pensions. Consequently, in the financial summary section we have included an estimate of the potential impact of the Employment Rights Bill on the projected savings. If the contract transferred prior to the implementation of the Employment Rights Bill then the operator would be able to retain the staff savings.

7.2. In-House

7.2.1. The current cost of the service is £1,341,010.

7.3. External Contractor

7.3.1. The table overleaf sets out the projections for the external contractor management option using the 2024/25 actuals as the base position.

7.3.2. Two financial projections are shown: including and excluding an Agency Agreement.

7.3.3. Across all centres, the external contractor option (excluding agency agreement) is expected to require a Management Fee **payable to the operator** in the region of £1m per annum. This could reduce to c.£786k with an Agency Agreement in place.

7.3.4. Taking the current financials as a base position, the following assumptions have been made:

- An external contractor would receive 80% NNDR relief. However, it should be noted that there are some operators who may be entitled to 100% relief depending on their governance structure.
- Central support costs have been included at 6% of turnover, in line with industry standards.
- Profit has been included at 4% of turnover, in line with industry standards.
- A reduction in staff costs has been included on the assumption that an operator would look to re-structure and create a more efficient structure where possible. Any new employees would be employed on the operators terms and conditions.
- A 5% increase in fitness income has been assumed, as benchmarks are slightly below average and a tender process will make operators more competitive on fitness income.
- Swimming income is already very strong so no additional growth is assumed.
- In the agency model option, irrecoverable VAT costs have been removed from all sites.

- 7.3.5. It is understood that if the management model was changed then the Council would be unable to reduce the current central costs allocated to the leisure service. Therefore with these costs remaining the overall cost to the Council increases by £384k per annum. To maximise the benefit of an external contractor the Council would need to consider how savings could be achieved at a central level.

7.3.6. External Contractor – Non Agency Model

Table 8 - External Contractor Financial Projections

External Contractor	Arnold LC	Redhill LC	Carlton Forum LC	Richard Herrod	Calverton LC	Total
Current Income	-£920,034	-£610,301	-£1,864,346	-£308,030	-£576,217	-£4,278,928
Additional Fitness Income	£0	-£19,763	-£37,688	£0	-£10,743	-£68,194
Total Income	-£920,034	-£630,064	-£1,902,034	-£308,030	-£586,960	-£4,347,122
Current Expenditure	£1,222,506	£756,204	£1,764,316	£772,513	£691,169	£5,206,708
NNDR Savings	-£33,743	-£42,370	-£102,648	-£24,461	-£39,094	-£242,315
Staff savings	-£76,088	-£41,681	£0	-£136,115	-£12,391	-£266,275
Irrecoverable Vat Costs	£57,796	£37,729	£90,668	£46,383	£34,773	£267,348
Total Expenditure	£1,170,471	£709,882	£1,752,336	£658,320	£674,457	£4,965,466
Net Trading Position	£250,437	£79,818	-£149,697	£350,290	£87,497	£618,344
Profit	£36,801	£25,203	£76,081	£12,321	£23,478	£173,885
Central Costs	£55,202	£37,804	£114,122	£18,482	£35,218	£260,827
Potential Management Fee	£342,440	£142,824	£40,506	£381,093	£146,193	£1,053,057
Council Central Costs Retained	£90,490	£66,061	£115,077	£50,664	£61,760	£384,052
Cost to GBC	£432,930	£208,885	£155,583	£431,757	£207,953	£1,437,108

7.3.7. External Contractor – Agency Model

Table 9 - External Contractor Financial Projections - Agency Model

External Contractor – Agency	Arnold LC	Redhill LC	Carlton Forum LC	Richard Herrod	Calverton LC	Total
Current Income	-£920,034	-£610,301	-£1,864,346	-£308,030	-£576,217	-£4,278,928
Additional Fitness Income	£0	-£19,763	-£37,688	£0	-£10,743	-£68,194
Total Income	-£920,034	-£630,064	-£1,902,034	-£308,030	-£586,960	-£4,347,122
Current Expenditure	£1,222,506	£756,204	£1,764,316	£772,513	£691,169	£5,206,708
NNDR Savings	-£33,743	-£42,370	-£102,648	-£24,461	-£39,094	-£242,315
Staff savings	-£76,088	-£41,681	£0	-£136,115	-£12,391	-£266,275
Irrecoverable Vat Costs	£0	£0	£0	£0	£0	£0
Total Expenditure	£1,112,675	£672,153	£1,661,668	£611,937	£639,684	£4,698,118
Net Trading Position	£192,641	£42,089	-£240,365	£303,907	£52,724	£350,996
Profit	£36,801	£25,203	£76,081	£12,321	£23,478	£173,885
Central Costs	£55,202	£37,804	£114,122	£18,482	£35,218	£260,827
Potential Management Fee	£284,644	£105,095	-£50,162	£334,710	£111,420	£785,708
Council Central Costs Retained	£90,490	£66,061	£115,077	£50,664	£61,760	£384,052
Cost to GBC	£375,134	£171,156	£64,915	£385,374	£173,180	£1,169,760

7.3.8. External Contractor Summary

7.3.9. As the centres are currently performing well from a benchmark perspective only limited growth in income would be expected under a contract with an external contractor.

7.3.10. Whilst expenditure is expected to reduce, the application of profit and central cost allocations offsets much of the expenditure savings.

7.3.11. With the retention of Council central costs it limits the potential savings that could be achieved, with the Agency model being the option that could achieve savings in the region of £170k per annum.

7.3.12. However, if the Employment Rights Bill does come into effect, then these savings could be reduced by a further c.£120k.

7.4. Local Authority Trading Company

7.4.1. The tables overleaf sets out the projections for the LATC management option using the 2024/25 actuals. The projected management fee (payable to the LATC) for all centres is in the region of £1.2m per annum.

7.4.2. Taking the current financials as a base position, the following assumptions have been made:

- 80% NNDR relief has been assumed, however depending on the structure 100% may be achievable.
- Central support costs have been included at 14% of turnover, in line with industry standards. Reflecting the requirement for a new central support team and management structure.
- A surplus allocation has been included at 2% of income. This will enable the LATC to build a level of reserves to support long term sustainability.
- A reduction in staff costs has been included on the assumption that a LATC would look to re-structure and create a more efficient structure where possible. Any new employees would be employed on the operators terms and conditions.
- It is anticipated existing income levels would be retained.

7.4.3. A LATC could also operate on an agency basis, which would reduce the projected management fee to c. £930k.

7.4.4. A LATC would also be impacted by the retention of existing central costs, increasing the overall cost of the service by £384k per annum.

7.4.5. The Employment Rights Bill would also apply to a LATC, therefore if this is implemented the management fee could increase by c£120k.

7.4.6. LATC – Non-Agency Model

Table 10 - LATC Financial Projections

LATC	Arnold LC	Redhill LC	Carlton Forum LC	Richard Herrod	Calverton LC	Total
Current Income	-£920,034	-£610,301	-£1,864,346	-£308,030	-£576,217	-£4,278,928
Additional Fitness Income	£0	£0	£0	£0	£0	£0
Total Income	-£920,034	-£610,301	-£1,864,346	-£308,030	-£576,217	-£4,278,928
Current Expenditure	£1,222,506	£756,204	£1,764,316	£772,513	£691,169	£5,206,708
NNDR Savings	-£33,743	-£42,370	-£102,648	-£24,461	-£39,094	-£242,315
Staff savings	-£76,088	-£41,681	£0	-£136,115	-£12,391	-£266,275
Irrecoverable Vat Costs	£57,796	£37,729	£90,668	£46,383	£34,773	£267,348
Total Expenditure	£1,170,471	£709,882	£1,752,336	£658,320	£674,457	£4,965,466
Net Trading Position	£250,437	£99,581	-£112,010	£350,290	£98,240	£686,538
Profit	£18,401	£12,206	£37,287	£6,161	£11,524	£85,579
Central Costs	£92,003	£61,030	£186,435	£30,803	£57,622	£427,893
Potential Management Fee	£360,841	£172,817	£111,712	£387,254	£167,386	£1,200,009
Council Central Costs Retained	£90,490	£66,061	£115,077	£50,664	£61,760	£384,052
Cost to GBC	£451,331	£238,878	£226,789	£437,918	£229,146	£1,584,061

7.4.7. LATC – Agency Model

Table 11 - LATC Financial Projections - Agency Model

LATC – Agency	Arnold LC	Redhill LC	Carlton Forum LC	Richard Herrod	Calverton LC	Total
Current Income	-£920,034	-£610,301	-£1,864,346	-£308,030	-£576,217	-£4,278,928
Additional Fitness Income	£0	£0	£0	£0	£0	£0
Total Income	-£920,034	-£610,301	-£1,864,346	-£308,030	-£576,217	-£4,278,928
Current Expenditure	£1,222,506	£756,204	£1,764,316	£772,513	£691,169	£5,206,708
NNDR Savings	-£33,743	-£42,370	-£102,648	-£24,461	-£39,094	-£242,315
Staff savings	-£76,088	-£41,681	£0	-£136,115	-£12,391	-£266,275
Irrecoverable Vat Costs	£0	£0	£0	£0	£0	£0
Total Expenditure	£1,112,675	£672,153	£1,661,668	£611,937	£639,684	£4,698,118
Net Trading Position	£192,641	£61,852	-£202,678	£303,907	£63,467	£419,190
Profit	£18,401	£12,206	£37,287	£6,161	£11,524	£85,579
Central Costs	£92,003	£61,030	£186,435	£30,803	£57,622	£427,893
Potential Management Fee	£303,045	£135,088	£21,044	£340,871	£132,613	£932,661
Council Central Costs Retained	£90,490	£66,061	£115,077	£50,664	£61,760	£384,052
Cost to GBC	£393,535	£201,149	£136,121	£391,535	£194,373	£1,316,713

7.4.8. LATC Summary

7.4.9. The higher central support costs and limitations of only operating one contract results in the LATC option being considerably more expensive than the external contractor model, with the non-agency model potentially being more expensive than the current in-house operations. Whilst the agency option could reduce costs it is marginal against the current subsidy and would require significant set up costs.

7.5. Revenue Position Summary

7.5.1. Overall an External Contractor under an agency model could generate savings, however if the Employment Rights Bill is introduced then this could significantly reduce the potential staff cost savings, resulting in a total saving of c.£50k per annum under the external contractor – agency model option..

Table 12 – Revenue Position Summary

Management Options Summary	Subsidy/ Management Fee	Central Costs retained by GBC	Total Cost to GBC	Difference to In-House
In-House	£956,958	£384,052	£1,341,010	-
External Contractor	£1,053,057	£384,052	£1,437,108	£96,098
External Contractor - Agency	£785,708	£384,052	£1,169,760	-£171,250
LATC	£1,200,009	£384,052	£1,584,061	£243,051
LATC - Agency	£932,661	£384,052	£1,316,713	-£24,297

8. Evaluation Tables

8.1. The following tables set out the detailed evaluation against each of the criteria.

Table 13 – Delivery of Strategic Outcomes Evaluation

Delivery of Strategic Outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council, including: increased usage and participation and working in partnership with communities and partners to deliver strategic outcomes	Score
In-house	<p>Operating the centres in-house means that joined up work to achieve the Council's wider strategic objectives would be more achievable than an external contractor arrangement. The management team will be able to work more easily with the other Council departments to ensure all wider strategic working is delivered.</p> <p>Delivering services in-house means that changing priorities can be quickly implemented.</p> <p>The Council can develop and implement a management plan and reporting system to ensure it monitors performance against outcomes.</p>	5
External Contractor	<p>The centres are managed with a specification in place. Ensuring the organisation is clear what the Council requires both on an annual and longer time frame. The Council can set out targets (outputs) in relation to participation (new users and existing), target groups, programming and sports & health development and outcomes.</p> <p>The Council can implement a performance management system to ensure that the partner records, reports and delivers the required outcomes.</p> <p>There will be a concern that services being managed by external organisation to the Council will not consider local stakeholders. However, the specification can be clear in the outputs required and many partnerships have local 'Stakeholder Boards' developed to formalise and ensure local input into the production and delivery of services.</p> <p>External organisations have extensive stakeholder and customer engagement strategies, including via their website and social media, on-line surveys, customer and club forums, all of which can be specified within the specifications.</p> <p>Any change to service priorities can be managed through the annual service planning process and contract change procedures. However, this can have explicit financial implications if the changes are business critical.</p> <p>Typically, external contractors are not as strong at delivering bespoke local initiatives as in-house management or local trusts.</p> <p>They have a stronger focus on commercial elements.</p>	4
Local Authority Trading Company	<p>As with the external contractor option, a specification and performance management system would be in place.</p> <p>Therefore, whilst the LATC is independent of the Council, if there is a clearly defined specification and longer-term financial stability (known management fee / funding agreement) it can be easier for the Council's strategic outcomes to be met.</p>	5

Delivery of Strategic Outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council, including: increased usage and participation and working in partnership with communities and partners to deliver strategic outcomes	Score
	<p>Staff from the existing facility would transfer under TUPE therefore retaining the local experience and knowledge to deliver against outcomes.</p> <p>Has the ability to attract additional funding streams compared to in-house option, which can be used to deliver facility and services interventions.</p> <p>More likely to have a locally focused approach compared to an external contractor.</p> <p>Company profits can be repatriated to Council, invested in the company or a mix of both.</p>	
Weighting	15%	

Table 14 – Quality & Customer Service Evaluation

Quality & Customer Service	How well will services be planned, developed and delivered to improve/maintain quality services. Ability to create high levels of customer satisfaction throughout all areas of service delivery.	Score
In-house	There is likely to be less monitoring of performance as there will be no management contract in place. However, the management team could incorporate customer satisfaction and quality KPI's into their management plans and monitor them regularly.	4
External Contractor	<p>External contractors can bring a breadth of leisure experience.</p> <p>Skill set of existing staff would transfer.</p> <p>The levels of service standards in areas that are important to the Council can be tested through the procurement process.</p> <p>Through a robust contractual relationship, the Council can identify continuation improved scores / and KPI's in relation to customer satisfaction scores etc.</p> <p>Large operators tend to be weaker at delivering bespoke commissioned health and wellbeing services.</p> <p>As part of the specification and contract external contractors are required to collate and report on performance data on a monthly/quarterly/annual basis. External operators have extensive experience of achieve quality awards such as Quest. The Council can set targets for Quest Assessments as part of the performance requirements.</p> <p>External contractors tend to take a corporate approach to customer service losing the 'personal' and bespoke approach that is common with in-house or LATC arrangements.</p>	4

Quality & Customer Service	How well will services be planned, developed and delivered to improve/maintain quality services. Ability to create high levels of customer satisfaction throughout all areas of service delivery.	Score
	Having the specification requirements for quality and customer service will require the operator to implement an action/management plan to ensure all of the KPI's are monitored and achieved. Regular client meetings can ensure that the operator has sufficient planning in place and the Council can monitor progress against KPI's.	
Local Authority Trading Company	<p>Skill set of existing staff would transfer.</p> <p>Branding will need to be established for the LATC, which will be important in the sales process and creating an identity for leisure services across the Council area.</p> <p>Operational procedures would need to be established and implemented to ensure quality requirements are met, however the Council will have its procedures from the existing in-house operation it can use as a template.</p> <p>Customer satisfaction KPI's can be incorporated into the specification documents. As part of the specification and contract LATC can be required to collate and report on performance data on a monthly/quarterly/annual basis.</p> <p>More likely to have a local bespoke approach to customer service.</p> <p>A LATC could seek to achieve Quest accreditation as per the external contractor. LATC's can join industry organisations such as Community Leisure UK and access performance and benchmarking data and share best practice ideas.</p> <p>Having the specification requirements for quality and customer service will require the LATC to implement an action/management plan to ensure all of the KPI's are monitored and achieved. Regular client meetings can ensure that the operator has sufficient planning in place and the Council can monitor progress against KPI's.</p>	4
Weighting	15%	

Table 15 – Council Influence & Control Evaluation

Council influence and control	Degree to which the option enables the Council to influence services on a day-to-day basis.	Score
In-house	<p>The Council will be able to exert the most direct control over services through the in-house management option.</p> <p>However, there is typically a limited performance monitoring and reporting requirements.</p>	5
External Contractor	<p>The external contractor must deliver against the Council's specification and contract, which can stipulate quality expectations and KPI's to be achieved. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery. The contractor will have to report on performance benchmarks on an annual/quarterly/annual basis.</p> <p>An outsourced partner will report to its own board of directors who may have differing objectives to the Council.</p>	3

	Significant changes to service delivery can be more formal; whilst flexibility in contracts can be included, there may be financial consequences to any significant changes.	
Local Authority Trading Company	<p>The specification will set out the Council's priorities in respect to pricing / programming and other elements of service delivery, including quality. As with the external contractor there will be performance monitoring and reporting requirements set out in the specification.</p> <p>An annual service planning element of the specification can ensure that the Council's changing requirements can be incorporated into future service delivery.</p> <p>There is Council representation on the board, the governance structure will need to be carefully considered to get the right balance between council influence and interference.</p>	4
Weighting	5%	

Table 16 – Risk - Sustainability Evaluation

Risk - Sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	Level of risk that can be transferred.	Score
In-house	<p>All risk remains with the Council managing price sensitivity and programming requirements for users, marketing and branding and price changes for expenditure (e.g. utilities).</p> <p>The Council absorb and manage any under-performance.</p> <p>The Council as a large organisation is able to manage short term trading performance.</p> <p>The leisure services would be able to work with the relevant council departments to identify energy saving measures that could be implemented across the portfolio.</p> <p>New VAT guidance has improved the financial sustainability of in-house leisure operations, as it is now treated as 'non-business'.</p>		4
External Contractor	<p>Where the Council is contracting with external organisations, they will complete a 'selection questionnaire' to assess organisation economic standing and technical capacity etc. to check the suitability and sustainability of the organisation and to ensure there are mitigations to protect the Council if the contract fails.</p> <p>Established contractors have head office support to ensure that they are developing their products and services and assessing the trends in each market so that they can mitigate the changes in the leisure market.</p> <p>They can achieve economies of scale in purchasing especially larger items, ICT, Fitness equipment, etc.</p> <p>They are in a stronger position to meet demand risk and therefore be sustainable.</p> <p>Where they manage several contracts, they can spread risk across contracts.</p> <p>There is a risk that they submit an un-deliverable financial business plan within the procurement process that they then struggle to deliver, so service levels do not meet the required performance standard. However, these can be benchmarked and tested during the procurement process.</p>		4

Risk - Sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	Level of risk that can be transferred.	Score
	<p>With an external operator under contract with the Council, there will be a known risk share and level of certainty in relation to the management fee for the length of the contract term. It is likely that the Council will be able to transfer the following risks to the external organisation;</p> <ul style="list-style-type: none"> ▪ Income ▪ Staffing costs ▪ R&M costs ▪ Implementation of any invest to save programmes and the income risk attached ▪ Utility consumption ▪ Equipment replacement ▪ Customer satisfaction and usage <p>Those areas of risk that are likely to be shared or remain with the Council include;</p> <ul style="list-style-type: none"> ▪ Pensions (risk will depend on the actuary report of current deficit or transferring employees) ▪ Structural building risk (given the age of the buildings) ▪ Full utility tariffs ▪ Reputational risk if the external organisation isn't successful ▪ Pandemic Protection <p>In any agreements, there will be contractual obligations between the parties in respect to ongoing maintenance, equipment replacement etc. to ensure that service delivery meets set performance standards.</p> <p>The Council will sign up to a contractual arrangement; it will have responsibilities that may incur costs. For example, if the Council retains repairs and maintenance responsibility for the building structure, the Council must fulfil these obligations, or the new operator may be able to bring a 'loss of income' claim against the Council if non-delivery of their obligations impacts their income generating areas.</p> <p>The specification can set out the requirements for environmental sustainability, carbon footprint etc. and the need to contribute towards the Council environmental agenda. A number of operators have achieved ISO14001 accreditation and have case studies of investment into energy saving measures within their leisure centres.</p>		
Local Authority Trading Company	<p>The key risk for a LATC is that it has a smaller base to share risk if any local factors impact its income generating opportunities. They do not have a larger organisational mix of facilities and contracts.</p> <p>The LATC is also dependent on a small team of experts within its senior management team to deliver the strategic direction of the organisation, as well as operational requirements.</p> <p>Any new organisation will require a period of support i.e. up to 3 years to ensure long term stability. The LATC will require flexibility and support so that it can build up a contingency of between 10% and 15% of overall annual turnover. Ultimately, if the LATC fails, the Council will have no option but to assume operational responsibility.</p>		3

Risk - Sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	Level of risk that can be transferred.	Score
	<p>If a LATC fails, the Council can provide the additional funding required or allow the company to fail and find alternative delivery models. Both can be both costly, resource heavy for officers and negative in terms of public relations.</p> <p>The local authority should be able to transfer the risk of carrying out works using local authority funding.</p> <p>A LATC is unlikely to be able to take the risk of a full repairing lease but will be able to take the risk on day to day maintenance requirements.</p> <p>It is unlikely that a LATC will be able to carry full risk for utilities, however a share in risk should be possible with the LATC taking risk on consumption.</p> <p>Establishing the correct governance structure will be key to managing financial risk. If the Company is established in the correct way with the correct balance between Council influence and commerciality, then long term financial sustainability is achievable.</p> <p>The specification can set out the requirements for delivering environmental sustainability, reducing carbon footprint etc. and the need to contribute towards the Council environmental agenda. However, a LATC is unlikely to have these expertise in-house therefore may have to utilise external consultants to support specific initiatives/investment plans.</p>		
Weighting	10%		

Table 17 – Risk - Operations Evaluation

Risk - Operations	<p>Ability to manage day to day operational risk of complex leisure centres/services.</p> <p>The degree to which the facilities and services will be protected on performance data to inform decision making process</p> <p>Decision making - Ability to implement changes efficiently and effectively</p>	<p>Effective asset management</p> <p>Can effectively collect, record, monitor and report</p>	Score
In-house	<p>The service is currently managed in-house and therefore there is excellent understanding of the leisure centres and any issues associated with them.</p> <p>The repairs and maintenance would be managed through the Council's central team, in addition, redecoration and lifecycle maintenance must compete with other Council priorities.</p> <p>Typically there is less commercial experience and expertise within the in-house option, which can impact on the level of service and revenue opportunities,</p> <p>If the service is managed in-house there may be limited monitoring and measuring of performance compared to that of an external trust/operator. The Council would need to consider accreditations such as Quest, to verify the quality of service being delivered and that it is offering value to its customers.</p> <p>Any significant decisions or changes to the services will have to go through the Council's approval process, which can be time consuming, although smaller changes can be implemented quickly and efficiently by the management team.</p>		4

Risk - Operations	<p>Ability to manage day to day operational risk of complex leisure centres/services.</p> <p>The degree to which the facilities and services will be protected on performance data to inform decision making process</p> <p>Decision making - Ability to implement changes efficiently and effectively</p>	<p>Effective asset management</p> <p>Can effectively collect, record, monitor and report</p>	Score
	<p>Typically in-house operations do not have contract/reporting requirements; however, the Council could choose to implement regular reporting and monitoring requirements for the service to ensure it is delivering against outcomes and KPI's.</p>		
<p>External Contractor</p>	<p>Existing contractors have a wide range of experience across all leisure centre types and therefore can bring this breadth of leisure experience to the contract.</p> <p>Some operators do have experience of managing theatres and other cultural venues, such as town halls and museums.</p> <p>All leisure contractors hold external validated quality accreditation i.e. Quest, Customer Service Excellence, IIP, ISO 14001, EMAS type awards.</p> <p>They tend to have head office resource with dedicated manager for quality, health and safety, HR, environmental management, maintenance etc.</p> <p>Staff will transfer to the operator bringing their experience and knowledge, which will help minimise operational impact.</p> <p>A performance management system will be put in place with detailed key performance indicators for operators to achieve.</p> <p>Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p> <p>There will be contract monitoring in place with reporting requirements against all outcomes and KPI's. Reporting will take place on a monthly/quarterly and annual basis therefore delivering against KPI's can be carefully monitored.</p>		5
<p>Local Authority Trading Company</p>	<p>Staff will transfer to the new LATC bringing their experience and knowledge, which will help minimise operational impact.</p> <p>New organisations procedures, policies and standards in relation to central services (HR, Finance, VAT, Health and Safety, Maintenance etc.) may take time to become established and there may be risk in the mobilisation / transition period. However, there are a number of organisations that provide specialist health and safety, PR, marketing support etc. and a new LATC could buy in these skills as and when it is required, or it could utilise the Council's support services with a recharge arrangement.</p> <p>A LATC is unlikely to be able to take on full repair and maintenance responsibilities. However, it is likely to be able to take on day to day repair and maintenance responsibilities. The local authority needs to consider how it will monitor maintenance programmes to ensure the operational team is carrying out planned works and to the required standard. Often this can be undertaken by an in-house Property Services team.</p>		4

Risk - Operations	Ability to manage day to day operational risk of complex leisure centres/services. The degree to which the facilities and services will be protected on performance data to inform decision making process Decision making - Ability to implement changes efficiently and effectively	Effective asset management Can effectively collect, record, monitor and report	Score
	Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council. There will be contract monitoring in place with reporting requirements against all outcomes and KPI's. Reporting will take place on a monthly/quarterly and annual basis therefore delivering against KPI's can be carefully monitored.		
Weighting	10%		

Table 18 – Staffing Evaluation

Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	Score
In-house	Scope for progression for employees is limited to within the centre/Council. Employees are more likely to be employed from the local area compared to external contractors who can bring in management and regional support from outside of the Council area. Local authorities typically offer enhanced terms and conditions for employees compared to the private sector, whilst beneficial for the workforce this does have additional costs.	4
External Contractor	Staff will be subject to TUPE so all current terms and conditions would be protected in accordance with legislation. External contractors are likely to offer new joiners their own company terms and conditions, which may vary from the current terms and conditions. This could result in some staff cost savings in the longer term. External operators will offer training and development for staff specialising in the leisure industry. Any externalisation may crystallise any pension deficits. It is very likely that the Council would remain responsible for this under any externalisation process. An established external operator is normally able to offer staff wider career opportunities within the company structure that otherwise would not have been available with a single contract operator. Possible that some employees could be brought in from other contracts, therefore percentage of employees from the local area could be reduced. However, the Council could stipulate in the specification that a certain percentage of employees must live in the local area.	4

Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	Score
Local Authority Trading Company	<p>Staff would transfer to the new company under TUPE, with their terms and conditions protected.</p> <p>A new LATC would require central posts that are not currently in place such as a Chief Executive, Finance Director etc.; this results in higher central costs.</p> <p>As a single contract entity scope for progression is limited.</p> <p>The local authority is likely to have to underwrite the pension liability. It is not reasonable to expect the LATC to take on any pension deficits.</p> <p>A LATC could offer new joiners their own company terms and conditions, which could result in some staff savings.</p>	4
Weighting	5%	

Table 19 – Revenue Implications - Evaluation

Revenue Impact	<p>Ability to maximise revenue, through performance and / or governance structure.</p> <p>Ability to effectively manage expenditure and costs.</p> <p>Ability to reduce the net cost of the service.</p> <p>Ability to demonstrate value for money.</p>	Score
	Leisure Centres	
In-house	<p>The in-house operation is unable to gain NNDR relief.</p> <p>The Council is able to apply for external funding available only to statutory bodies.</p> <p>Central support costs are typically higher than external contractors, but lower than a LATC.</p> <p>Revenue risk of underachieving against budget sits with Council.</p> <p>Assessing the revenue impact shows that the current subsidy required for an in-house operation across all centres is £1.34m.</p> <p>The Council is now able to benefit from the new VAT guidance which treats all leisure income as ‘non business’, this means all sporting income including fitness memberships and swimming no longer have VAT payable. Additionally, councils benefit from not having irrecoverable VAT costs.</p> <p>Typically, there is not the monitoring and recording of performance as there are no contractual obligations however, the Council can introduce such requirements on the management team to ensure value for money is being demonstrated.</p> <p>There can be a number of different departments responsible for different areas, for example property for building based social value, HR in respect to employment opportunities etc. Therefore, overall responsibility is not within the leisure departments responsibility, so this is dependent on the Council’s overall policy. A clear monitoring, recording and measuring process will need to be put in place.</p>	4

Revenue Impact	<p>Ability to maximise revenue, through performance and / or governance structure.</p> <p>Ability to effectively manage expenditure and costs.</p> <p>Ability to reduce the net cost of the service.</p> <p>Ability to demonstrate value for money.</p>	Score
	<p>With regards to social value all management models can deliver against agreed measuring and reporting requirements, therefore no one management model should be more effective at managing social value. The key difference with the in-house model is that whilst it can be measured/monitored/reported on there is no contractual obligation like there will be with the LATC/ external contractor options.</p>	
External Contractor	<p>A competitive tender process often 'sharpens' projections. External contractors tend to set more ambitious targets against fitness and swimming lessons. Although it is noted in Gedling that swimming is already performing well.</p> <p>An external contractor would operate with reduced central costs; however they would also include an element of profit in their business plans. Typically, they would bid with a total margin of c.10% of turnover.</p> <p>External contractors are likely to receive VAT and NNDR relief, however they do have irrecoverable costs.</p> <p>Any profits made in the contract may not be re-invested back into the facilities or wider Council area.</p> <p>A one-off cost of circa £140k should be included to cover the external advisors' (legal and leisure procurement) costs of procurement and other costs, for example condition surveys etc.</p> <p>Revenue risk sits with the operator not the Council.</p> <p>Economies of scale achieved from larger operators.</p> <p>External contractors typically seek to reduce staff costs over a period of time, with new joiners being employed on their terms and conditions which are cheaper than Council terms and conditions, particularly pension contributions. Staff savings are normally achieved over a number of years.</p> <p>Based on the income and expenditure of the existing contractor and industry standard profit and central cost margin it would be expected that as the result of a tender process the leisure centres will require a management fee payable to the contractor in the region of £1m per annum or £786k under an agency model. The external contractor – agency model option offers the most savings against the current model.</p> <p>With the Councils central support costs retained an external contractor is only likely to be able to offer savings under an agency model and these savings would be significantly reduced if the Employment Rights Bill comes into force.</p> <p>The Council can request that bidders demonstrate the value their proposal offers during the procurement process and ensure value for money forms part of the evaluation criteria.</p>	4

Revenue Impact	<p>Ability to maximise revenue, through performance and / or governance structure.</p> <p>Ability to effectively manage expenditure and costs.</p> <p>Ability to reduce the net cost of the service.</p> <p>Ability to demonstrate value for money.</p>	Score
	<p>As large organisations external contractors can usually obtain economies of scale for certain areas such as supplies and equipment, which means they can provide the same equipment as the in-house/LATC models but at a lower cost, therefore offering greater value for money. Additionally, they have the support of their central services team who will have specialist leisure marketing, finance, HR expertise, which will add value to their offer.</p> <p>The Council can request that as part of the annual performance requirements a social value report is produced for the contract, which could be in line with the current Moving Communities social value reporting requirements.</p> <p>Social value outcomes can be built into the specification linked to council targets for example:</p> <p>Local economic benefit:</p> <ul style="list-style-type: none"> • Increase in local resident workforce across the facilities • A reduction in the number of residents on Employment Support Allowance (ESA), or similar • Increasing workforce development opportunities such as coach education courses, work experience and apprenticeship schemes • Increase in use of local suppliers across the facilities <p>Sustainability/ Environmental improvements</p> <ul style="list-style-type: none"> • Reduction in annual CO2 emissions • Reduction in annual energy use • Increase in recycling rate • Decrease in waste <p>These can be aligned with the Councils' policies. Resource is required in the client team to ensure (technical) data is accurate and meaningful and effective targets are included as the contract matures.</p> <p>There needs to be effective 'carrot and stick' mechanisms to ensure the contractor delivers against the targets. Longer term contracts incentivise those measures with financial pay back (for example environmental improvements). It is also important for the operator to measure and calculate the social value with an agreed methodology with the client.</p> <p>Consequently, due to the specification and contract requirements, the Council can stipulate the level of measuring and reporting required and KPI's to achieve ensuring it meets the same standard as if it was delivered in-house.</p> <p>Against the in-house model it is expected that an external contractor will be as effective in monitoring, measuring and reporting on social value.</p>	
Local Authority Trading Company	<p>The new company will need to have a suitable reserves policy and therefore the Council may have to provide a level of subsidy over and above any management fee in the early years of operation (or accept the cash flow risk).</p> <p>Likely to have higher central costs as it will require its own senior management team (Chief Executive, Finance Director etc.)</p>	3

Revenue Impact	<p>Ability to maximise revenue, through performance and / or governance structure.</p> <p>Ability to effectively manage expenditure and costs.</p> <p>Ability to reduce the net cost of the service.</p> <p>Ability to demonstrate value for money.</p>	Score
	<p>They can be set up under an appropriate structure to receive VAT and NNDR relief.</p> <p>Likely to be able to apply for more funding than the local authority.</p> <p>There will be one-off set up costs for the LATC in the region of £560k.</p> <p>Any profit could be re-invested back into the facilities.</p> <p>Revenue risk will ultimately be underwritten by the Council.</p> <p>A LATC is likely to require an annual management fee of £1.2m, or £930k under an agency model.</p> <p>With the Councils central support costs retained a LATC is only likely to be able to offer savings under an agency model and these savings can only be achieved if a two tier workforce is possible.</p> <p>Outcomes can be built into specification as, with external contractor, delivery will depend on level of local knowledge and resource (budget) within the company. May be able to use specialist resource from the Council.</p> <p>Ability to gain external funding for projects and likely to be a not for profit organisation whose objectives will include social value outcomes.</p> <p>The Council can request that as part of the annual performance requirements a social value report is produced for the contract.</p> <p>Social value outcomes can be built into the specification linked to council targets for example:</p> <p>Local economic benefit:</p> <ul style="list-style-type: none"> • Increase in local resident workforce across the facilities • A reduction in the number of residents on Employment Support Allowance (ESA), or similar • Increasing workforce development opportunities such as coach education courses, work experience and apprenticeship schemes • Increase in use of local suppliers across the facilities <p>Sustainability/ Environmental improvements</p> <ul style="list-style-type: none"> • Reduction in annual CO2 emissions • Reduction in annual energy use • Increase in recycling rate • Decrease in waste 	

Revenue Impact	<p>Ability to maximise revenue, through performance and / or governance structure.</p> <p>Ability to effectively manage expenditure and costs.</p> <p>Ability to reduce the net cost of the service.</p> <p>Ability to demonstrate value for money.</p>	Score
	<p>These can be aligned with the Councils' policies. Resource is required in the client team to ensure (technical) data is accurate and meaningful and effective targets are included as the contract matures.</p> <p>There needs to be effective 'carrot and stick' mechanisms to ensure the LATC delivers against the targets. Longer term contracts incentivise those measures with financial payback (for example environmental improvements). It is also important for the operator to measure and calculate the social value with an agreed methodology with the client.</p> <p>Consequently, due to the specification and contract requirements, the Council can stipulate the level of measuring and reporting required and KPI's to achieve ensuring it meets the same standard as if it was delivered in-house.</p> <p>Against the in-house model it is expected that a LATC will be as effective in monitoring, measuring and reporting on social value.</p>	
Weighting	30%	

Table 20 – Capital Resource Evaluation

Capital Resource	Ability to generate capital investment, attract external investment and support the design, build and mobilisation of new / re-developed facilities	Score
	Leisure Centres	
In-house	<p>The Council would need to explore opportunities for investment, i.e. through prudential borrowing, funding streams i.e. SE and potential of grants.</p> <p>If future funding is not available, then the Council is dependent on either grant funding / NGB funding linked to programme development etc. or it can gain funding through leasing type arrangements. These generally enable fitness / ancillary and other income generating projects to be undertaken at the centres, although the Council must guarantee the investment.</p> <p>The Council will project manage the investments and takes the risk in any resulting projected income generation.</p>	5
External Contractor	<p>National operators are more likely to be able to fund equipment / ICT fit out and lifecycle works. They have good supplier links and achieve economies of scale.</p> <p>Organisations may be able to access funding for smaller investments, but the preference is for the Council to fund larger scale works projects. The borrowing rates are more cost effective and as operators do not 'own' the buildings, loans are based on future revenue improvements as opposed to using assets / long leases as collateral.</p> <p>The Council is more able to transfer the full risk of any investments to partners in terms of project delivery and business plan projections.</p> <p>Many organisations have delivered capital projects and have established supply chains with specific leisure experience.</p>	4

Capital Resource	Ability to generate capital investment, attract external investment and support the design, build and mobilisation of new / re-developed facilities	Score
	<p>Some partners can offer VAT efficient build schemes, where the Council is the principal for the capital development schemes and the operator is the principal for the revenue.</p> <p>Whilst it is still the Council that can access capital investment more cheaply, the benefit is that external contractors typically have experience of being innovative and investing into customer critical areas and there are many examples where the operators have significantly reduced the revenue position with investment into facilities but importantly taken the delivery risk.</p> <p>All capital improvements are based on a 'pay back' period or return on investment, based on the contract length.</p>	
Local Authority Trading Company	<p>LATC will not have direct access to capital resources, the responsibility will remain with the Council.</p> <p>However, where the Council funds capital investment, the LATC will use the revenue improvements to repay the capital costs.</p> <p>Unlikely to have the experience within the management team to project manage large scale investment projects.</p> <p>Ultimately though, with LATC having a limited trading history, any risk of these payments being made falls back to the Council.</p>	3
Weighting	10%	

8.2. Evaluation Scores

8.2.1. Given the descriptive assessment of each management option being able to meet the Council's requirements, each criterion has been scored for each management option. The summary of the overall scores is shown in the table below.

Table 21 – Evaluation Scores

	Criteria	Measures	Overall weighting	In-House	External Contractor	LATC		In-House	External Contractor	LATC
1	Delivery of strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council, including: increased usage and participation and working in partnership with communities and partners to deliver strategic outcomes	15%	5	4	5		15%	12%	15%
2	Quality of service and Customer satisfaction	How well will services be planned, developed and delivered to improve/maintain quality services. Ability to create high levels of customer satisfaction throughout all areas of service delivery.	15%	4	4	4		12%	12%	12%
3	Council Influence and Control	Degree to which the option enables the Council to influence services on a day-to-day basis.	5%	5	3	4		5%	3%	4%
4	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term. Level of risk that can be transferred.	10%	4	4	3		8%	8%	6%

	Criteria	Measures	Overall weighting	In-House	External Contractor	LATC		In-House	External Contractor	LATC
5	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services. Effective asset management The degree to which the facilities and services will be protected Can effectively collect, record, monitor and report on performance data to inform decision making process Decision making - Ability to implement changes efficiently and effectively	10%	4	5	4		8%	10%	8%
6	Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	5%	4	4	4		4%	4%	4%
7	Revenue Implications and Value for Money	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs. Ability to reduce the net cost of the service. Ability to demonstrate and deliver value for money	30%	4	4	3		24%	24%	18%
8	Capital resources	Ability to generate capital investment, attract external investment and support the design, build and mobilisation of new / re-developed facilities	10%	5	4	3		10%	8%	6%
			100%	35	32	30		86%	81%	73%

9. CONCLUSIONS

9.1. Based on the evaluation criteria and weighting the **in-house option scores the highest against the Council's priorities**. Although the external contractor option is only 5% lower.

9.2. The potential for financial savings under a different model are only likely to be realised under an agency model, with an external contractor. This is predominantly due to the Council not being able to reduce its existing central support costs if the leisure service was externalised.

9.3. External Contractor Summary

9.3.1. The external contractor model, scores the highest from a revenue perspective across the leisure centres. Whilst its ability to deliver against leisure and health outcomes is not deemed to be as effective as the in-house or LATC options, the Council will have substantial control over this through the contract specification and if the Council decided to go out to procurement it will be essential to ensure the specification and KPI's reflect the Council's priorities and strategic objectives.

9.3.2. A relatively cautious approach has been taken with staff savings, as on transfer all terms and conditions are protected. The evaluation also considers the potential impact of the Employment Rights Bill, which could significantly reduce the potential for staff savings.

9.3.3. If the Council could further reduce the level of central support costs that remain with the Council after transfer then additional savings could be achieved with the external contractor model.

9.4. In-house Summary

9.4.1. The current service delivery cost the Council £1.3m in 2024/25, higher than the projected external contractor management fee.

9.4.2. In-house management now benefits from the change in VAT guidance, enabling councils to treat leisure income as non-business. Consequently, an in-house model is no longer disadvantaged compared to local trusts and external contractors that benefit from VAT relief. The in-house model also benefits from having no irrecoverable VAT costs.

9.4.3. It is expected that under in-house management the leisure service would better achieve strategic outcomes due to its local focus, compared to the external contractor option. The Council has implemented a number of operational improvements over the last two years, which has resulted in increases in fitness and swimming income, with the centres performing well against industry benchmarks, including external operator models.

9.4.4. Under the in-house option all risk remains with the Council.

9.5. LATC summary

9.5.1. The LATC option would also be well placed to deliver against the Council's outcomes however, as a new entity there is slightly more risk involved with this option. It also has significant set-up costs at c.£500k and high ongoing central costs.

Appendix 1 – National Strategies

Strategy/Report	Key Priorities/Purpose
Get Active: a strategy for the future of sport and physical activity 2023	<ul style="list-style-type: none"> • Being unapologetically ambitious in making the nation more active, whether in government or in the sport sector • Ensuring everyone is focused on increasing physical activity, meaning fewer inactive children, and narrowing the gap on inactivity where groups are not being reached, with visible progress across the country by 2030 • Making sport and physical activity more inclusive and welcoming for all so that everyone can have confidence that there is a place for them in sport • Helping the sector to be welcoming to all, by promoting women's and disability sport, championing diversity across the sector and holding the sector to account for investing in these groups • Setting the future direction for facilities and spaces where people can be active • Working towards a more environmentally sustainable sector that delivers on the government's net-zero ambitions.
Uniting the Movement Sport England 2021-2031 Future of public leisure Sport England 2022 - Every Move sustainability strategy and action plan 2024 - Sustainable facilities and planning Sport England	<ul style="list-style-type: none"> • Connecting communities • Positive experiences for children and young people • Strengthening the connection to health • Connecting with health and wellbeing • Alignment of leisure, physical health, mental health and social care • Transitioning from traditional leisure services into an active wellbeing service • Champion equality, diversity and inclusion • Place-based provision • Active environments • Environmental sustainability • Blue-green environment quality and use • Site selection, transport plan, site layout, facility design, construction elements, M&E specifications, energy recovery and conservation methods
PHE Strategy 2020 to 2025	<ul style="list-style-type: none"> • Healthier diets, healthier weights • Better mental health • Best start in life • Smoke free society • Creating cleaner air • Reduce health inequalities • Create connected, resilient, more cohesive communities • Work with partners in the voluntary and community sector to develop their capacity and strengthen the place of community at the centre of the public health system
Get a move on 2019	<ul style="list-style-type: none"> • Physical health - Prevent or manage over 20 chronic conditions and diseases, including cancer, stroke and type 2 diabetes • Mental health - Reduce the risk of, and manage, depression, stress and anxiety, and can increase motivation, drive and self-confidence • Social - Provide opportunities for social interaction, build stronger communities and reduce isolation • Environmental - Prevent climate change and air pollution when active travel is facilitated, by reducing the number of vehicles on the road

Strategy/Report	Key Priorities/Purpose
	<ul style="list-style-type: none"> Societal - Save the NHS and wider society money. The cost of physical inactivity to the UK is estimated to be £7.4 billion per year
Gear change: a bold vision for cycling and walking (publishing.service.gov.uk) - The second cycling and walking investment strategy (CWIS2) (updated 2023)	<ul style="list-style-type: none"> Better streets for cycling and people Cycling at the heart of decision making Empowering and encouraging Local Authorities Enabling people to cycle and protecting them when they do To see a step-change in cycling and walking England will be a great walking and cycling nation Healthier, happier and greener communities Convenient and accessible travel Increase the percentage of short journeys in towns and cities to 46% in 2025 Increase walking activity by 2025 Increase the percentage of children aged five to ten who usually walk to school to 55% in 2025
National Planning Policy Framework (updated Dec 2024) Planning Practice Guidance (updated Feb 2024)	<ul style="list-style-type: none"> Building and strong, competitive economy Promoting healthy and safe communities Promoting sustainable transport Achieving well-designed and beautiful places Meeting the challenge of climate change, flooding and coastal change
The School Sport and Activity Action Plan July 2019 (Updated 2023) National curriculum in England: physical education programmes of study - Sept 2013	<ul style="list-style-type: none"> Aims to improve the quality of PE and school sport provision Encourages 2 hours of PE a week Helps to ensure equality of access to sport for girls and boys Helps to increase the number of children playing sport in school and meeting curriculum expectations, including for swimming and water safety Develop competence to excel in a broad range of physical activities Are physically active for sustained periods of time Engage in competitive sports and activities Lead healthy, active lives

Appendix 2 - Options for Transfer of Leisure Services to a New Corporate Vehicle¹⁵

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
Principal features	Company run by directors with a separate membership who guarantee the debts/ liabilities of the company up to a minimal amount. However, directors have to run the company in the best interests of the company, not the Council.	Not a corporate vehicle in itself but rather a “wrapper” around another vehicle - additionally requirement is a social purpose behind a company’s activities. Likely to be a company limited by guarantee.	Low key organisation run by trustees, allowing a small organisation to have corporate status, to improve their ability to access grants, employ staff and enter into contracts. Has both members and trustees.	Set up to run as a business but that must be run for the benefit of the community at large, rather than only its members. Any profit made by a <i>community benefit society</i> must be used for the <i>benefit</i> of the <i>community</i> .
Principal Legislation	Companies Act 2006	Companies Act 2006 and Companies (Audit, Investigations and Community Enterprise) Act 2004	Charities Act 2011	Co-operative and Community Benefit Societies Act 2014
What role for council	Council can be a sole member of the CLG, usually having a shareholder’s agreement with the company to set out how it oversees what the directors do, though otherwise directors have to run the company in the best interests of the company, not the Council.	Same as CLG	Two types of CIO, foundation or association. Latter not suitable as is for wider membership. With a foundation CIO, the member(s) is/are also the trustee(s), and a trustee has to be an individual person, so the Council cannot be a member/trustee.	Cannot have a sole member, has to have at least 3 members. However, a member can be a corporate body such as the Council. Often used for mutual ownership organisations, where employee-members have a stake in the running of the company, though they cannot receive a share in any profits. Directors elected by the members.
Can the Council award a contract to it directly without a tender exercise?	Yes, if meets the required tests (see note 1 below – Teckal exemption)	Yes, if meets the required tests (see note 1 below – Teckal exemption).	No, insufficient control to meet the Teckal exemption (see note 1 below)	Probably not, insufficient control to meet the Teckal exemption (see note 1 below)
Appropriate for contract model retaining control?	Yes	Yes	No	No
Appropriate for arms’ length contract?	Yes, in theory, but if not set up as Teckal company with control, then would have to tender the contract first	Yes, in theory, but if not set up as Teckal company with control, then would have to tender the contract first	Yes, but GBC would have to tender that contract as CIO cannot be a Teckal company	Yes, but GBC would have to tender that contract as CBS cannot be a Teckal company
Appropriate for asset transfer	Yes (but see note 4 below)	Yes (but see note 4 below)	Probably not, as aimed at small charities just starting to expand. Not very familiar form to banks etc.	Yes (but see note 4 below)

¹⁵ Deborah Down 25th September 2020 © Sharpe Pritchard LLP

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
Governing document (see also below on charity registration and NNDR)	Articles of Association. Typically, this does not allow profits to be passed up to its membership	Articles of Association containing required social objectives and asset lock (see note 5)	CIO model constitution published by the Charity Commission (only limited deviations permitted)	Constitution with required community benefit objectives
Regulator	Companies House	Companies House plus independent CIC Regulator	Charity Commission	Financial Conduct Authority
Can it register as a charity?	Yes, if meets Charity Commission requirements (see note 2 below)	No	Automatically a registered charity	No, but can register as charity for tax purposes with HMRC
NNDR charitable exemption available (see note 3)?	Yes, even if not a registered charity, provided the Articles of Association include the required charitable purposes – CLG has to be an organisation established for charitable purposes only	Yes, even though cannot be a registered charity, provided the Articles of Association include the required charitable purposes – CIC has to be an organisation established for charitable purposes only	Yes, because automatically a registered charity	Yes, provided that Articles of Association include the required charitable purposes – CBS has to be an organisation established for charitable purposes only
Indirect taxation benefits available especially VAT?	Specific advice required taking into account the Council's own partial VAT exemption. There is a Sporting Services VAT exemption (VAT Notice 701/45). Specific considerations about taxing the property if a property disposal.	Specific advice required taking into account the Council's own partial VAT exemption. There is a Sporting Services VAT exemption (VAT Notice 701/45). Specific considerations about taxing the property if a property disposal.	Yes, because by definition is a charitable organisation which gets HMRC registration for charitable purposes and therefore VAT relief. Specific considerations about taxing the property if a property disposal.	Can register as charity for tax purposes with HMRC. Specific considerations about taxing the property if a property disposal.
Speed of incorporation (without separate charity registration)	Once directors selected and Articles of Association prepared, Companies House can register the same day if there are no issues.	Once directors selected and Articles of Association prepared, submit to Companies House. There is an additional form which CH pass on to the CIC Regulator. Registration can only take place by CH once the CIC Regulator has confirmed that it is satisfied there is sufficient social benefit.	Charity Commission website indicates 40 working days if there is no deviation from the model constitution. However anecdotally the CC has a backlog and is very slow.	Slower than CLG but only one registration.
Other considerations	<ol style="list-style-type: none"> 1. Incorporation is only part of the story, still need to either dispose of the assets to, or enter into a contract with, the new corporate vehicle, as well as required GBC governance approval. 2. If GBC is interested in working with another local authority, then a Teckal company can be set up controlled by two local authorities. 3. Council appointed directors need to act in the best interests of the company, and consequently will have to deal with conflict of interest situations. 4. Even with a contract, the contractual payment to the Council may have to be expressed as rent, as having a peppercorn rent with a separate payment to the Council may fall foul of the issue described at note 4; in addition a payment to the Council from say a CLG, and which is not described as rent, may be treated as a profit and so subject to corporation tax. 			

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