



STROUD DISTRICT  
COUNCIL

# Management Options Appraisal

The rationale and process behind the decision.

# 2021

# INTRODUCTION

In December 2020 Stroud District Council (SDC) commissioned Max Associates (Leisure Consultants) to conduct a management options appraisal as part of the Leisure and Wellbeing Strategy development.

SDC have two Leisure centres and a Lido:

The Pulse in Dursley is situated in the centre of Dursley Town. This centre is run in-house by SDC.

Stratford Park Leisure Centre (SPLC) and the Lido is set in the ground of Stratford Park. This centre is run by an external company and has been under 3 different external operators since 1996.

The leisure contract for SPLC finishes on the 31st October 2024.

It is already in an extension period which is why SDC had to undertake a management options appraisal in order to assess how to bring both centres under one contract and to be able to deliver on facility and service interventions as detailed in the Leisure and Wellbeing Strategy.

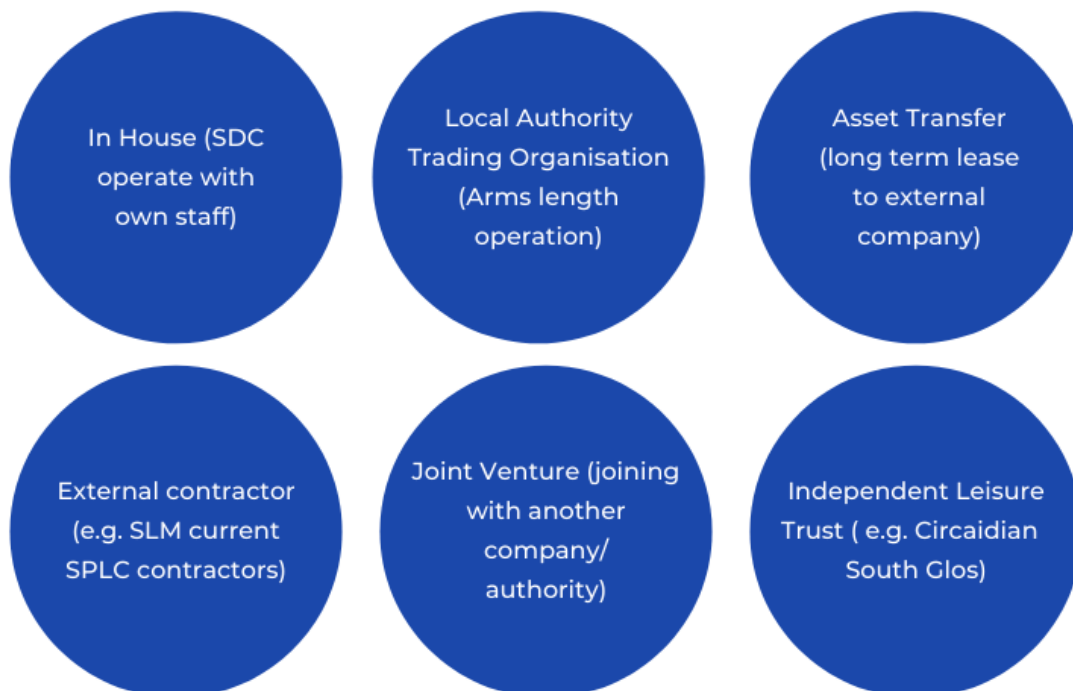
Other services included within the appraisal are: The Museum in the Park and Health and Wellbeing.

# THE OPTIONS

SDC project team considered 6 management options, engaging the consultants to review each of the options in detail highlighting the key advantages and disadvantages. These options were considered against the ability to deliver on the strategy outcomes.

Full details of all the options are in the following documents:

- Appendix 16 Management Options Appraisal
- Management Options Appraisal - Priority Review
- Management Options Appraisal - inhouse v LATC review November 2021



# MANAGEMENT OPTIONS

- 01 In- house Option**  
Bring SPLC back in house and align with the Pulse, Museum and Health&Wellbeing which is already run by SDC.
- 02 External Contract**  
Undertake a procurement and put both leisure centres out to tender to attract a new external operator. This could include a trust and/ or private company  
Consider outsourcing the other services as part of this contract
- 03 Local Authority Trading Company**  
SDC to set up their own Local Authority trading Company (LATC) to run facilities and services at arms length. If the Teckal exemption is applied procurement would not have to take place.  
  
Consider adding Health and Wellbeing to the company once the company matures.
- 04 Locally established not for profit distributing organisation (NPDO)**  
The council could set up a charitable organisation to manage the centres. However due to the 2015 Procurement Regulations this would have to go through the tender process.
- 05 Joint Venture**  
The council could join with a another business/council or both. Ownership of the new business would be split between the 2 or more parties involved.
- 06 Asset Transfer**  
The council could lease any high value leisure sites, to commercial operators in exchange for revenue.  
  
The council would relinquish any control over how the centres were operated.

# THE FIRST APPRAISAL

The project team considered what was important to SDC in terms of management options and being able to deliver on the strategy.  
8 areas were rated in terms of importance and each were given a % value.

01

## Council objectives/strategic outcomes 25%

Ability to understand the community within which the organisation is working to deliver the strategic outcomes of the council and of the Leisure and Wellbeing strategy. Ability to increase targeted participation and social value.

02

## Revenue Implications 15%

The ability to maximise revenue, through performance and/or governance structure. Ability to effectively manage expenditure and costs.

03

## Capital resources 10%

Ability to support the design, build and mobilisation of new/re-developed leisure centres

04

## Risk /Sustainability 10%

Ability to manage financial risk and the organisation is sustainable in the long term.

## THE FIRST APPRAISAL CONTINUED

**05** **Risk/Operations 10%**  
Ability to manage day to day operational risk of complex leisure centre/services.

**06** **Council influence and control 10%**  
Degree of Council control over the services on a day to day basis.

**07** **Customer experience and Satsifaciton 20%**  
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

**08** **Staffing 10%**  
Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.

# THE FIRST APPRAISAL CONTINUED

Advantages and disadvantages for each of the options were explored and it was decided at this stage that the Joint Venture and Asset transfer did not meet the councils objectives.

This was the first round so we kept them in to consider but did not score them.

## Joint Venture not considered due to:

- Requires political agreement of joint working
- Our partner may not have the same vision and want to pursue their own strategies
- High risk if partner walks away
- Must have shared vision from the outset and throughout to make it work.



## Asset Transfer not considered due to:

- The council would have no control or input into the quality of services delivered
- High risk to the council reputation if the facilities are not managed to a high standard
- If the facility performs well the council will not benefit.

## CONCLUSION OF FIRST APPRAISAL

Based upon the score the inhouse scored highest on delivering all facilities and services with LATC and External coming in joint 2nd for the Leisure Centres.

LATC performing better than external for the Museum and health and wellbeing.

It was recommended that whichever route we choose the catering element should be considered as a separate business and not included within the contract.

This was further backed up by the current operator not opening the cafe after Covid despite a clear demand and research whereby other contractors have outsourced their catering e.g Circaidian Trust (SOHO coffee franchise)





# TASK AND FINISH

The T&F group was set up in August 2021 to review and assess the information presented on the leisure strategy.

The group is made up of cross party representation and SDC officers. The meetings are chaired by the chair of CS&L.

The first role of the group was to make a recommendation on the management options appraisal.



01

## Meetings

The group have met on 6 occasions to discuss the management options appraisal

02

## Advantages and Disadvantages of each option

Discussions on the 6 options took place and in the 3rd meeting the decision was made to remove the Joint Venture and transfer of assets.

03

## T&F priorities

The group were asked to explore their own priorities so that further modelling could take place.

# TASK AND FINISH PRIORITIES

Each member of the group were asked to complete a task independently of each other assigning their own priorities on what was most important to them.

The results were shared and debated and a set of new priorities were formed.

01

## T&F priorities

1. Delivery of Council objectives/strategic outcomes and being fit for future
2. Customer experience and satisfaction including exemplar provision of council and community facilities across the district
3. Revenue costs
4. Council influence and control
5. Staffing - using local employment, impact on terms and conditions, paying the living wage for the lowest paid staff
6. Giving up control of facilities related to leisure, health and wellbeing in return for investment

02

## Next step

T&F were given a copy of the first management options appraisal document and their priorities were put into a priority review document highlighting what each of the priorities meant for each management options

03

## T&F priorities meaning and understanding

The consultant presented the priorities and answered clarification questions for the group.

Officers informed the group of discussions and research which had taken place looking at different management models.

For all routes the council would have to borrow money to improve and expand their leisure portfolio

## 04 T&F decisions

The group voted on narrowing the options to two:

1. Inhouse
2. LATC

The consultant prepared financial information to bring to the next meeting on the two options

## 05 T&F decisions - Why choose these 2 options?

- T&F understood that prudential borrowing would be required regardless of whichever option was chosen.
- With the investment and the profiling from the consultants T&F were comfortable that over a period of time the two options would generate a surplus which would benefit the council and residents
- With L:ATC the council would subsidise the company over a set number of years decreasing the amount year on year - giving some cost certainty
- Once the company matured Health and Wellbeing could be brought into the company making the council another saving
- Inhouse - the Pulse when compared against other inhouse operators and the private sector is in top % in terms of performance apart from utilities, maintenance and service costs
- Both options would have a local work force who understood the area
- Both options would be able to deliver on the council priorities and the Leisure and Wellbeing strategy.
- Procurement is not required and therefore you know the contract can be delivered to the expected standard.



# TASK AND FINISH OPTIONS APPRAISAL

The consultants prepared and completed the 2nd options appraisal using the 6 priorities from T&F.

01

## **Revenue costs - 25%**

Running the service with a low or zero subsidy -subsidy at an acceptable level.

02

## **Delivery of council objectives/Understanding the community within which the organisation is working - 20%**

Ability to increase targeted participation and social value.  
Joined up council provisions for residents (fit for future)

03

## **Customer experience and satisfaction 15%**

How well will services be planned, developed and delivered to improve/maintain quality of service.  
Ability to create high levels of customer satisfaction through all areas of service delivery.  
Exemplar quality of council and community facilities across the district.

04

## **Council influence and control 15%**

How important to you is having control and managing the risk over the service on a day to day basis.

05

## **Giving up control in return for investment 15%**

Giving up full control of the facilities and services relating to health and wellbeing in return for investment within the current centres and potential new build.

06

## **Staffing - 10%**

Using local employment, impact on terms and conditions, future opportunities for staff development, paying of the living wage for the lowest paid staff

## TASK AND FINISH FINAL RECOMMENDATION



**After reviewing all the evidence and weighing up what was important to SDC, T&F decided to recommend LATC as the preferred and most sustainable option going forward.**



# THE REASON BEHIND THE DECISION

## Revenue

- LATC saved SDC 200k per year prior to investing in the centres as apposed to costing the council and additional 107K per year
- The saving could be used to pay off any borrowing to invest in the centres and a realise the potential of the service interventions within the Leisure and Wellbeing Strategy
- In a mature year with investment the company could create a projected surplus of 350K as opposed to 260K for inhouse
- The surplus would be reinvested back into the business to fund future investment and not lost within the main council budget
- Support services - can purchase from the industry and be a true business cost
- LATC would benefit from NNDR saving
- Bringing both facilities inhouse could bring the council VAT level over its threshold and therefore the council would lose its ability to recover VAT from purchasing???? (check this one)



All figures quoted are based upon the actual operational figures for 2019/2020. All surplus figures are indicative but are based upon industry knowledge and experience whereby the facility interventions have been installed at other centres.

# SUMMARY

The Pulse when matched against the industry scores in the top % on income/service delivery/quality.

The key difference in the two options came down to revenue and VAT implications.

Both models would serve the council and the District well. With an LATC staff would have opportunities to develop and grow, the council would be able to invest to save through prudential borrowing and the councils objectives and Leisure strategy can be delivered through strong partnership working.