



Stroud District Council

Strategy for Leisure and Wellbeing in Stroud District 2021 - 2040

Appendix 16 – Management Options Appraisal

August 2021



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Glossary	
ADM	Alternative Delivery Models
SPLC	Stratford Park Leisure Centre
SDC	Stroud District Council

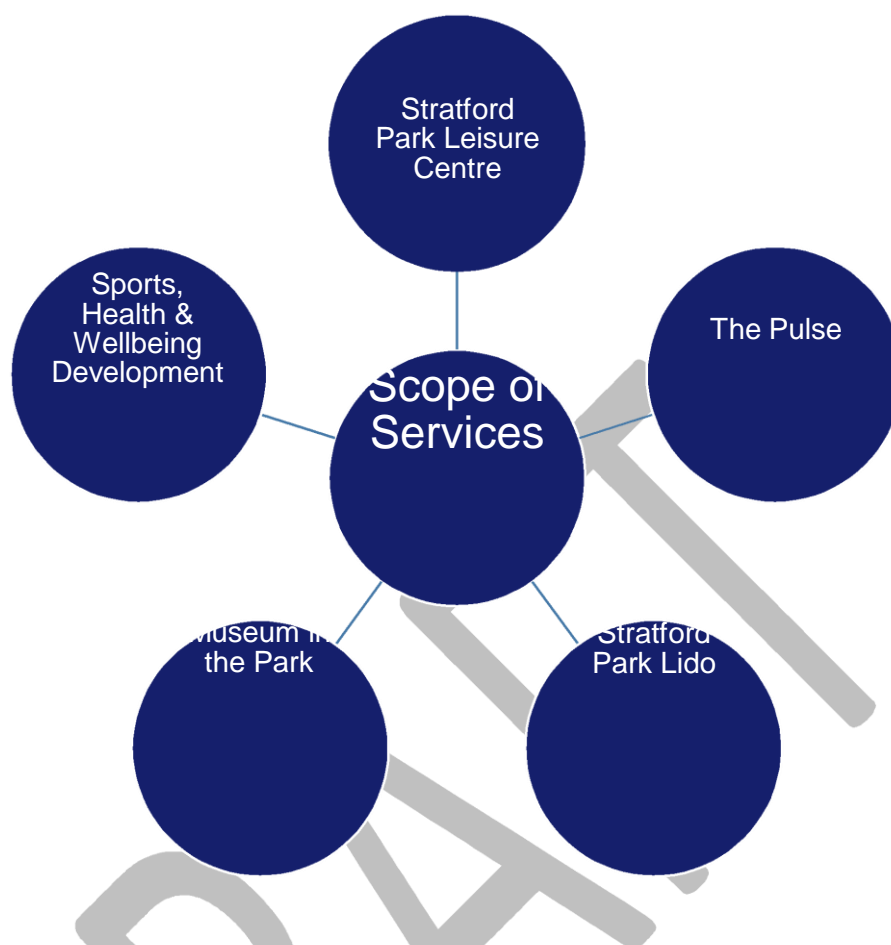
1 Introduction

- 1.1. This report considers the alternative management options to deliver the services and facilities within the Council's leisure centre portfolio.
- 1.2. The Council is undertaking a Strategy for Leisure and Wellbeing in the Stroud District for its leisure services and facilities.
- 1.3. Stage 1 and 2 (out of 4 stages), sets out the Council's wider strategic outcomes which physical activity can positively impact and the detailed analysis on which facilities and services are needed to deliver these outcomes.
- 1.4. This report considers the most suitable way of managing the services and facilities to support the effective delivery of outcomes and key performance indicators as well as considering financial and risk impacts of each model.
- 1.5. It is imperative that the model can not only deliver against the strategic outcomes for the leisure and wellbeing services but is a good fit with the Council's culture and political aspirations.

2 Scope of Services

- 2.1 The scope of services being considered within the appraisal is set out in the infographic overleaf. Currently Stratford Park Leisure Centre and the Lido are managed by Sports and Leisure Management (SLM, also referred to as Everyone Active) and The Pulse and Museum in the Park is managed in-house. Sports, health and wellbeing development is delivered directly by the Council.

Figure 1 – Scope of Services

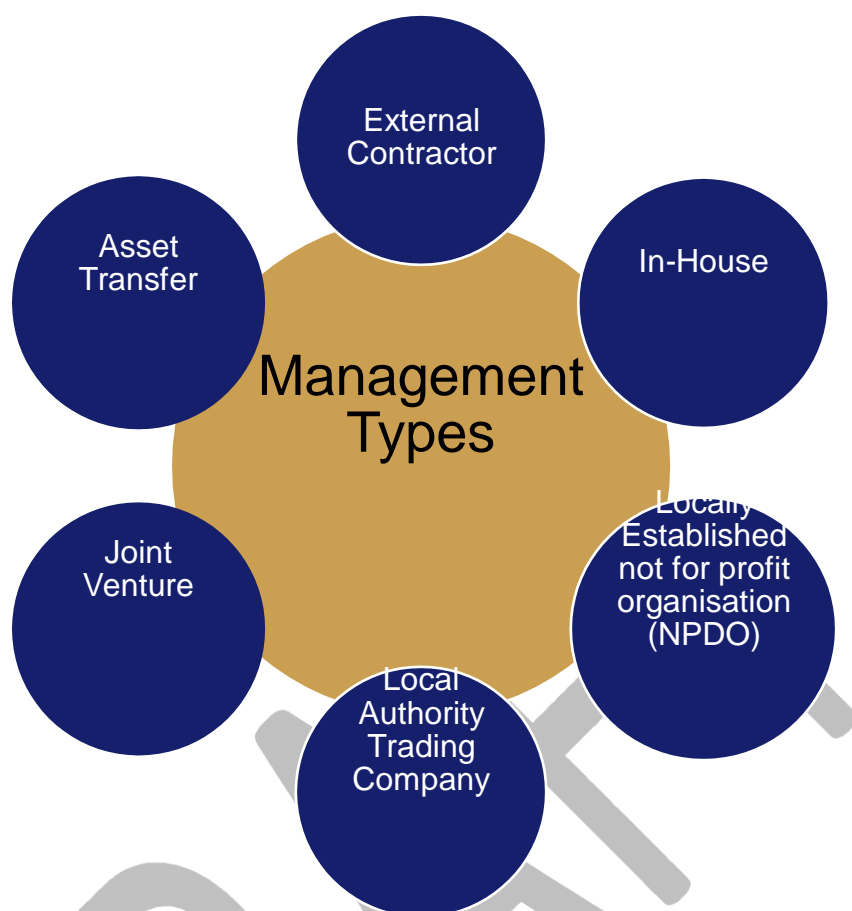


- 2.2 The council's contract with Sport and Leisure Management (SLM) was agreed on 1 November 2011 for the 10-year period to 31 October 2021 and included the option to extend it for a further period of 3 years to 31 October 2024, subject to further approval.
- 2.3 To allow time for proper consideration to be given to the future of leisure in the district, including management arrangements for its facilities, the 3-year extension option was enacted. SLM will continue running Stratford Park Leisure Centre for the specified additional period of 3 years up to 31 October 2024.

3 Management Options

- 3.1 Following consultation with the Council the five types of delivery model being explored for the service as set out overleaf. These different types of model may be suitable for all or some of the services.

Figure 2 – Management Types for Consideration



3.2 Delivery Model Characteristics

The characteristics for each model are set out below.

3.2.1

3.3 Re-procure a Contractor

3.3.1 The Council could re-procure services, under similar arrangements as the existing contract with SLM, for Stratford Park Leisure Centre only or for the whole scope as detailed in figure 1.

3.3.2 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.

3.3.3 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.

3.3.4 Within the last few years, some contractors are becoming more risk adverse, or are costing in 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. (Please also see para 3.5 below in relation to recent impact of Covid 19 on the market).

- 3.3.5 Contractors are normally able to provide the Council with investment in facilities for either back log maintenance or facility developments which will increase usage and income.
- 3.3.6 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.
- 3.3.7 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.
- 3.3.8 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.
- 3.3.9 Staff would transfer under TUPE regulations from SLM and the Council to any new external contractor. Senior management will normally be based at a head office and not locally. Their focus will be on the whole organisation rather than on local issues. Local issues will be the focus of contract / regional manager.

3.4 Impact of Covid

- 3.4.1 Consultation with the market has been on-going since the start of the Covid pandemic and subsequent lockdown. Consultation suggests that the market will be selective in any future bidding whilst the industry recovers. It will require short term open book (1-2 years) and income benchmarking part through the contract. If another lockdown occurs, the market expects open book deficit funding, however the Council may be able to secure this to exclude contract margin and operator profit.
- 3.4.2 It is likely that a market opportunity would be more attractive from autumn / winter 2021 onwards, once there is more data relating to user habits in the short term. Given the Stroud contract with SLM does not expire until 2024, it is expected that the sector will have made a good recovery from Covid by this point.
- 3.4.3 Through the procurement of the contract the Council will be able to transfer a degree of trading risk, however some will remain with the Council, such as qualifying change in law, particularly post Covid. Therefore whilst there will be benefits and economic efficiencies, the impact of Covid will lead to a greater sharing of risk between operators and local authorities.

3.5 In-House

- 3.5.1 The services will be delivered through direct management of facilities through frontline staff.
- 3.5.2 The Council will have full responsibility for all income risk and expenditure be responsible for future lifecycle investment and replacement of equipment. With this, the Council will have full control over all aspects of service delivery including pricing, programming and marketing.

3.5.3 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.

3.5.4 The Council has direct delivery of what is seen as a high-profile service for the community.

3.5.5 When considering investment, the Council will be responsible for generating sufficient surplus to pay the capital repayment for prudential borrowing for any newly developed centres.

3.5.6 The main disadvantage is the increase in costs due to the following which significantly impacts the commerciality of the contract:

- the majority of income being standard rated
- full NNDR costs being payable
- staff would transfer back to Stroud District Council from SLM and therefore be eligible for LGPS and standards terms and conditions, (this would impact any future outsourcing arrangements).

3.5.7 This has led many Councils to consider LATCs as a mechanism for 'insourcing', i.e. putting services into a wholly owned company or joint venture. Unlike bringing back the service into the Council itself, this provides the opportunity to trade externally as well as delivering services on behalf of the owning authority.

3.6 Local Authority Trading Organisation (LATC)

3.6.1 The Council would establish an 'arm's length' organisation to run the facilities and services on its behalf.

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

3.6.3 LATCs are contracted by the parent council (or councils) to provide services back to the council(s) via a service contract.

3.6.4 However, the council may decide to apply the Teckal¹ 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 to be with its 'parent' council (this is known as the function test).

¹ 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.

3.6.5 A LATC can be set up as not-for-profit which are able to benefit from similar tax exemption benefits to an NPDO trust. However, it would not have charitable status.

3.6.6 They can be a preferred 'cultural fit', compared to procured and independent charity models. However, both risk and reward remain with the Council

3.6.7 There are many forms which a new organisation could take, including but not limited to the following, the structures are likely to benefit from efficient NNDR and VAT benefits:

- Co-operative or Community Benefit Society;
- Company Limited by Guarantee (CLG);
- Charitable Incorporated Organisation (CIO);
- Community Interest Company (CIC);

3.6.8 **Appendix 16a** sets out the key features, principal legislation, governing documents, and other considerations of each model.

3.7 **Locally established, not for profit distributing organisation (local NPDO)**

3.7.1 The council could set up a charitable organisation to manage the centres. This would be a local organisation including staff that would TUPE from the existing facilities. The governance can be determined to most suit the needs of the council.

3.7.2 The local NPDO would be eligible for mandatory/discretionary national nondomestic rates (NNDR) relief.

3.7.3 Income on most sporting activities is exempt from VAT, however VAT on corresponding expenditure is non-recoverable.

3.7.4 Services should be defined within an output-based specification and be supported by a contract / partnership agreement and relevant leases. This would define the level of responsibilities and risk each partner takes.

3.7.5 However, it should be noted that prior the 2015 Public Procurement Regulations, local authorities were able to set up a local charitable NPDO to run services without the need to undertake a competitive tendering process. However, since 2015 local authorities can still set up an NPDO, but it would have tender for the services in the open market if the services were to be run under a management contract.

3.7.6 Therefore, whilst there are many benefits from a locally established NPDO, the main disadvantage is that the Council may need to set up the NPDO and undertake a procurement process, in which the company could tender.

3.8 **Joint Venture**

3.8.1 The term joint venture can describe a range of different commercial arrangements between two or more separate entities. Each party contributes resources to the venture and a new business is created in which the parties collaborate and share the risks and benefits associated with the venture.

- 3.8.2 A party may provide land, capital, intellectual property, experienced staff, equipment, or any other form of asset. Each party generally has an expertise or need which is central to the development and success of the new business which they decide to create together. It is also vital that the parties have a 'shared vision' about the objectives for the joint venture.
- 3.8.3 In the case of leisure, a joint venture may involve the council and one or more third party establishing a new entity.
- 3.8.4 The joint venture vehicle can take several structures including companies limited by shares, companies limited by guarantee, Community Benefit Societies, Cooperatives for example.
- 3.8.5 Each party must be clear on the intended length of term of the joint venture, its goals and objectives, how the parties will achieve a return on investment and how they will protect their investment if another party wishes to exit or fails to perform their obligations. Normally, all parties share the risks and rewards in line with their ownership of the joint venture.
- 3.8.6 Ownership of the joint venture would conventionally be split across each of the parties involved. Typically, this would be determined by the appetite of the council to share ownership, and the level of investment and risk taken on by each party.
- 3.8.7 There are no specific limitations within the joint venture model, although the founding parties may wish to limit the remit of the venture in terms of the nature, scope and scale of services that can be provided. Depending on the legal form assumed, there may be limitations in terms of which services can be delivered and how.
- 3.8.8 Similar to the re-procurement option, the council would procure joint venture partners or, once established the JV would have to go through the same procurement regulations for a management operator.
- 3.8.9 **JV with another local authority**
- 3.8.10 Joint ventures (JV) have become increasingly popular as a means of leveraging growth, between public sector entities. Using a JV model to partner with other local authorities or local authority trading companies could mean that public procurement is not necessary when it falls under the provisions of Regulation 12 (the Teckal exemption) – when this occurs and the fit between the two parties is right, a contract may be directly awarded.
- 3.8.11 Local authority retains less control but there is shared risk and greater opportunities
- 3.8.12 The cultural fit may be better than outsourcing
- 3.8.13 JVs have typically been used for investments, waste, highways, facilities management and social care.
- 3.8.14 Partnerships and companies are treated differently for direct tax. A VAT cost sharing group could be achieved, but inappropriate planning could result in VAT costs.

3.9 Asset transfer - Long term lease (without restrictions)

- 3.9.1 The centres would be transferred via a long-term lease to external organisations. This is more likely to occur on an individual facility basis than across all centres. The leases can either contain restrictive covenants so that the use of the land is reserved for sport and physical activity purposes or come without any restrictions and allow disposal of the site for a commercial value.
- 3.9.2 The council could lease any high value leisure sites, to commercial operators in exchange for revenue which can be taken as a saving or improvement to the current position, to support the capital repayment.
- 3.9.3 The arrangements are primarily 'property-based transactions' as opposed to 'management contracts'; the land and asset arrangement being the main object of the transaction rather a contract for services which, if over threshold, would stand to be procured.
- 3.9.4 The absence of a services specification can mean that the council cannot influence the service and specify that it must provide access to all sections of the community in line with the Equalities Act (2010).
- 3.9.5 Building lease values will be negatively impacted by older buildings which have significant building liabilities.
- 3.9.6 Commercial operators may, for example, be interested in the fitness and dry facilities within centres but may not wish to continue with the swimming pool operation as is (or manage it on a commercial membership basis with limited casual and concession access), to maximise income.
- 3.9.7 If there was market interest for a commercial lease arrangement for one or more of the centres, the council may be left with the operational (and financial) responsibilities of the remaining portfolio, without the ability to benefit from economies of scale of managing a portfolio of facilities (under any management model).

3.10 Advantages & Disadvantages

- 3.11 The advantages and disadvantages of each option are outlined in the table overleaf.

Table 1 – Advantages and disadvantages of Alternative Delivery Models

Option External Contractor	Financial Advantages	Quality Advantages	Risks
	<ul style="list-style-type: none"> • Undertake a competitive process to manage leisure centres • Gain the benefits of organisation already set up to maximise VAT and NNDR efficiencies. • More commercial 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 contract doesn't perform to projections, no benefit to the Council.) • The Council has an agreed management fee profile, which gives budget certainty and 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 current Council priorities, as set out in the Leisure and Wellbeing Strategy, so the Council does not need to be involved in day-to-day operations. • Links with NGBs, suppliers and other physical activity providers in implement new programmes / activities across their portfolios. • Head office specialists enable operations to be the 'latest' in the market. Enables best practice 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 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 most expenditure risk. • Larger operators are able to '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 becoming increasingly unlikely to accept risk on utilities tariffs, LGPS pension contributions; NJA salary rises above inflation and building structure of older buildings. • Contracts will include pandemic related clauses, with risk remaining with the Council. • Response may be limited from the market due to recovery from Covid impact on business. • Financial risk premiums built into the tender price.

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Option	Financial Disadvantages	Quality Disadvantages	Other Considerations
Option LATC	<ul style="list-style-type: none"> Market likely to include higher risk premiums following Covid Will want a contract / risk profile to protect against impact of Covid or similar circumstances in the future. Changes to the specification / contract require a variation that can affect the management fee and can incur legal costs. The Council is obliged to fulfil its responsibilities or be subject to a claim from the operator. 	<ul style="list-style-type: none"> Operations can be 'corporate' as opposed to locally led. Operator from larger organisations likely to wish to use own branding and corporate procedures for core income generating activities; fitness and swimming lessons. It can be harder to work with other partners effectively; other council departments, education, CSP's 	<ul style="list-style-type: none"> The council will have to undertake a compliant (OJEU) procurement procedure to select a new operator. Cost of procurement; officer and external support. Timescales – 18 months including mobilisation (see below)
	Financial Advantages	Quality Advantages	Risks
	<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 maximise VAT and NNDR efficiencies Operate commercially support services – can purchase from the industry (e.g., marketing) or Council (payroll) 	<ul style="list-style-type: none"> 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 real impact on residents Perceived there is a better 'partnership' approach. Providing the authority with more direct strategic control over the service than a third party would Being politically more appealing as the authority is the shareholder High level of control retained. 	<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 defined, 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 if organisation not successful.

Option	Financial	Quality	
	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. Likely higher central costs than the current model. High central costs may reduce levels of potential surplus. 	<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 for centres. A new organisation will require a large working capital budget to start the company, the Council may need to provide a contingency/cashflow fund for the new organisation. There will need to be suitable lease / contract / funding agreement / services specification set up between the new organisation and the council. Timescales – 12-15 months (see below)
Option	Financial	Quality	
NPDO – the advantages and disadvantages are similar to a LATC, with these differences.	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> "Trust" status makes it easier to apply for external funding All profits are re-invested back into the services / facilities, ensuring local investment. 		
	Disadvantages	Disadvantages	Other Considerations
		<ul style="list-style-type: none"> The Council has less influence as it is led by a Board of Trustees. Board of Trustees obliged to put the interests of the Trust first. 	<ul style="list-style-type: none"> The Council cannot directly appoint a contract to a newly established NPDO without undertaking a competitive procurement.

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Option In-house	Financial Advantages	Quality Advantages	Risks
	<ul style="list-style-type: none"> • Council does not pay for any risk premiums, can easily change service inputs to meet budgetary requirements. • Share support costs with other departments. • Economies of scale 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. • A staffing structure can be put in place to serve both leisure centres. • Due to the success of the current in-house provision knowledge and experience would be shared across the service. 	<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 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 	<ul style="list-style-type: none"> • All risk sits with the Council
	Disadvantages	Disadvantages	Other Considerations
	<ul style="list-style-type: none"> • There will be initial costs to bring Stratford Park Leisure Centre back in-house. • Higher staffing costs due to Council terms and conditions, although it is noted that SLM is currently required to pay Real Living Wage. • Increased costs due to staff being able to access the LGPS. • The Council will not have the benefit of NNDR and VAT relief (unless Ealing Ruling is applied) • Additional resource may be required within the Council to support the contract e.g. HR and finance. 	<ul style="list-style-type: none"> • Limited access to the benefits of developing new opportunities and from 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). 	

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Option	Financial	Quality	
	<ul style="list-style-type: none"> Budget set year on year and may be subject to reductions with changing priorities of council or central government. Central/support costs of the Council can be arbitrarily included in leisure budgets and disproportionate to overall service. Any savings made within the service will go to the general fund and may lead to a reduced budget in the following year, not re-invested into the service / facilities. No 'sinking' fund in place for future lifecycle building works and equipment replacement 	<ul style="list-style-type: none"> Officers must use council procedures / contracts in areas that are not as effective / suitable for the services, for example ICT / marketing and branding. 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. 	
Option	Financial	Quality	
Joint Venture – the advantages and disadvantages are similar to in-house with these differences.	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> Work in parallel to achieve similar outcomes, Economies of scale of officer time and resource. With a larger portfolio, gain economies of scale. 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Issues of risk sharing across two council areas.
	Disadvantages	Disadvantages	Other Considerations
	<ul style="list-style-type: none"> May end up with one contract 'cross subsidising the other' Will not benefit from significant economies of scale. 	<ul style="list-style-type: none"> Requires political agreement of joint working. With neighbouring authorities implementing their own leisure/physical activity strategies, the Councils are likely to have different aims and objectives 	
Option	Financial	Quality	
Asset Transfer	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> The Council will have no financial responsibilities, resulting in savings against the current budget. 	<ul style="list-style-type: none"> Transferring some or all of the facilities will create additional resource 	<ul style="list-style-type: none"> All risk is removed from the Council

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Option			
		within the Council to concentrate on other areas/priorities.	
	Disadvantages	Disadvantages	Other Considerations
	<ul style="list-style-type: none"> If the facility performs well the Council will not share in the benefit. 	<ul style="list-style-type: none"> The Council will have no control or input into the quality of services delivered If the centres/facilities are not operated to a high standard it could have negative impact on the Councils reputation. 	

3.12 Set Up Costs and Timetable

3.12.1 Each alternative delivery model will have a different lead in time to set up. Re-procuring a new contract will require a new contract, leases and services specification being developed.

3.12.2 A LATC will require similar documentation and the recruitment and appointment of directors.

3.12.3 Any new company will require formal registration / company documents, and the recruitment of the senior management team (Chief Executive/Finance Director etc).

3.12.4 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 it uses external advisors.

3.12.5 The table below sets out indicative timescales and costs for each option.

Table 2 - 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 in parallel with agreeing hand-back arrangements from SLM)	3 months
Selective questionnaire stage and evaluation / de-selection	2 months
Tender stage (assuming competitive dialogue / competitive procedure with negotiation procurement route)	7/8 months
Award and council sign off	1/2 month
Mobilisation of new operator	3 months
Total	18 months

Bring the service in house (SPLC & Lido only) / Set up LATC	
Action	Timescale
Governance set up (if new company)	1 month
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 trustees for local trust)	6 months
Purchasing of uniform, supplies and equipment	2 months
Setting up on-going 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
Quality and H&S systems – development and implementation	3 months
Total (some works streams can be completed in parallel)	12

Set up NPDO	
Action	Timescale
Governance set up (if new company)	1 month
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 trustees for local trust)	6 months
Purchasing of uniform, supplies and equipment	2 months
Setting up on-going 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
Quality and H&S systems – development and implementation	3 months
Commission internal and external procurement of legal / procurement / project management support	2 months
Pre-procurement work – (objectives, draft specification / contract, leases and evaluation methods in parallel with agreeing hand-back arrangements from SLM)	3 months
Selective questionnaire stage and evaluation / de-selection	2 months
Tender stage (assuming competitive dialogue / competitive procedure with negotiation procurement route)	7/8 months
Award and council sign off	1/2 month
Mobilisation of new operator	3 months
Total (some works streams can be completed in parallel)	24 months

3.12.6 Outlined below are the indicative set up and ongoing operational cost if a new LATC or NPDO were established.

3.12.7 The new LATC/NPDO 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, a website and online booking facilities set up.

3.12.8 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 SLM and the Council.

Table 3 – LATC/NPDO 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
Re-branding, Marketing & Signage	£90,000	Replace all of the signage and branding that shows SLM's logos/brands etc. The new organisation will need to develop its own name and brand and produce marketing material for all sites.
Website & Social Media Set Up	£25,000	A new website will be required 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. Charity Commission application if appropriate. Contract documents and leases, including funding agreement between council and new organisation
Operations Manual Set Up	£5,000	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.
Staffing*	£182,250	See table below for workings
Risk & Contingency	£50,000	To provide a level of working capital for the organisation.
TOTAL COST	£507,250	

*To deliver the set up and mobilisation requirements the new organisation will need to provide sufficient staff resource. The detailed staffing resource required is outlined further in the table below.

Table 4 – 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	60,000	72,000	36,000
Operations Director	50,000	60,000	30,000
Head of finance	50,000	60,000	30,000
Branding / Marketing	45,000	54,000	27,000
ICT manager	45,000	54,000	27,000
3 months prior to commencement:			
HR Mger - TUPE consultation etc.	45,000	54,000	13,500
Admin	32,500	39,000	9,750
1 month prior to commencement:			
Admin team x 3 (finance / HR etc)	90,000	108,000	9,000
TOTAL			182,250

3.12.9 Indicative costs of managing the service in-house

3.12.10 Set up costs for the in-house operation will only apply to SPLC and the Lido, with an existing in-house team the set up costs will be lower than establishing a LATC.

Table 5 – In-house Operation set up costs

Set up costs	£
Re-branding, Marketing & Signage	£65,000
ICT Systems and Equipment	£15,000
Website & Social media Set Up	£5,000
Legal/Audit Costs	£20,000
Launch Costs	£10,000
Risk & Contingency	£20,000
TOTAL COST	£135,000

3.12.11 Indicative costs of procurement

3.12.12 The typical costs of procuring a new contract are set out overleaf and are likely to be in the region of £110k. This would apply to both the external contractor and NPDO option, where the contract can only be awarded following an open procurement process.

Table 6 – New contract procurement costs

Action	Cost £
Legal / leases and contract completion	100,000
Leisure procurement and project management	50,000
Due diligence (for example any additional building surveys required)	20,000
Total	£170,000

3.13 Options to Assess

3.13.1 Considering the scope of services, characteristics, advantages and disadvantages of the alternative management options, the table below sets out the agreed options for each service area that will be evaluated.

Table 7 – Preferred Options

	Stratford Park Leisure Centre	The Pulse	Stratford Park Lido	Museum in the Park	Sports, Health & Wellbeing Development	Rationale
External operator	✓	✓	✓	✓	✓	Suitable for all facilities in scope
In house	✓	✓	✓	✓	✓	Suitable for all facilities in scope
LATC	✓	✓	✓	✓	✓	Suitable for all facilities in scope
NPDO	✓	✓	✓	✓	✓	Suitable for all facilities in scope
JV	X	X	X	X	X	Excluded due to the different strategic outcomes and priorities in neighbouring authorities.
Asset Transfer	X	X	X	X	X	Excluded due to the lack of influence and control from the Council

4 Evaluation Framework

4.1 The following evaluation framework has been agreed with the project team to assess each option.

Table 8 - Evaluation Framework

	Criteria	Measures	Overall weighting
1	Council Objectives/ Strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value	25%
3	Revenue implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.	15%
4	Capital resources	Ability to support the design, build and mobilisation of new / re-developed leisure centres	10%
5	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	10%
6	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services.	10%
7	Council influence and control	Degree of Council control over the services on day to day basis.	10%
8	Customer experience and 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%
9	Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	5%
			100%

- 4.2 As capital investment is not relevant to Sports Development, Health & Wellbeing Services this criteria is excluded from the evaluation. Therefore, in the evaluation of this service a slightly higher weighting has been placed on 'Customer Experience and Satisfaction' and 'staffing', recognising that this is a 'people' based service. The criteria is outlined below.

Table 9 - Evaluation Framework - SD, Health & Wellbeing Services

	Criteria	Measures	Overall weighting
1	Council Objectives/Strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.	25%
3	Revenue implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.	15%
5	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	10%
6	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services	10%
7	Council influence and control	Degree of Council control over the services on day to day basis.	10%
8	Customer experience and 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.	20%
9	Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	10%
			100%

4.3 Management Options Evaluation

- 4.3.1 Given the strategic service and financial outcomes of the services, how well the services are currently performing, and a review of the potential options available the following management options have been evaluated.

- In-house;
- External contractor;
- Local Authority Trading Company; and
- Locally established NPDO.

- 4.3.2 The following tables set out the evaluation criteria, with each facility/service evaluated separately and scored out of a maximum of 5.

Council Objectives/ Strategic Outcomes - Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.						
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services	
In-House	<p>Operating the centre(s) 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 performance of the in-house team at The Pulse suggests that income objectives could be achieved at SPLC under in-house management.</p> <p>The in-house management team are involved with wider Council strategies and the Covid Recovery Strategy giving them extensive knowledge and experience of working towards Council outcomes.</p>			<p>Continuing to operate in-house means that joined up work to achieve the Council's wider strategic objectives continues to be achievable. The Museum can work 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 management team are involved with wider Council strategies and the Covid Recovery Strategy giving them extensive knowledge and experience of working towards Council outcomes.</p> <p>The museum is already delivering initiatives that link well to the five ways of wellbeing – a key outcome of the Leisure & Wellbeing Strategy.</p> <p>Excellent track record of involving the voluntary sector in the day to day operations.</p> <p>Usage figures have remained consistent under in-house management.</p>		<p>Continuing to operate this service in-house means that joined up work to achieve the Council's wider strategic objectives continues to be achievable. The service can work 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>Excellent and successful initiatives that contribute towards key strategic outcomes are already being delivered in-house.</p>
	Score - 5	Score - 5	Score - 5	Score - 5	Score - 5	
External Contractor	<p>The centre(s) would be 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,</p>			<p>Only a limited number of external contractors have experience of managing museums.</p> <p>As with a leisure centre the Museum could be managed under a service specification clearly detailing the service requirements, outcomes</p>		<p>There is a risk that external partners (e.g. existing leisure operators) will focus solely on the operations of facilities and programmes without working in partnership with all stakeholders, so a strong specification and annual planning would be</p>

Council Objectives/ Strategic Outcomes - Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>programming and arts / 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>Currently, SPLC is struggling to reach people classed as NS-SEC 6&7 – some of the most disadvantaged and hard to reach people in society (2017 NBS report). To improve performance of reaching this target group the Council would need to set out clear targets and objectives within the specification. The centre does well against national benchmarks at attracting people from ethnic minorities, people aged under 65 with disabilities and female users.</p>			<p>and performance measures. However, KPI's and performance measures for a museum can only be done against historical performance as there are no national benchmarks like those that exist for leisure centres.</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>The Museum in the Park could be 'tested' as part of outsourced option to ascertain whether there would be added value and if it could be operated at an improved financial position whilst meeting outcomes.</p>	<p>required to ensure they meet the Council's wider needs for sport, health and wellbeing development.</p> <p>External contractors tend to take a more corporate approach with less focus on local dynamics and nuances.</p>

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Council Objectives/ Strategic Outcomes - Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	Typically, external contractors are not as strong at delivering bespoke local initiatives as in-house management or local trusts.				
	Score - 3	Score - 3	Score - 3	Score - 3	Score - 3
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> <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 focussed 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>			<p>As with the external contractor option, a specification and performance management system would be in place, although as with external contractors national benchmarks are not available.</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> <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 focussed approach compared to an external contractor.</p>	<p>There will be a more bespoke local approach, comparable to that of the in-house operation, although there may be additional focus on commerciality.</p> <p>A specification can be put in place to monitor and measure performance.</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>
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4
Locally established NPDO	<p>As with the external contractor option, a specification and performance management system would be in place.</p> <p>Therefore, whilst the NPDO is independent of the Council, if there is a clearly defined specification, and longer-term</p>			<p>As with the external contractor option, a specification and performance management system would be in place, although as with external contractors national benchmarks are not available.</p>	<p>There will be a more bespoke local approach, comparable to that of the in-house operation.</p>

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Council Objectives/ Strategic Outcomes - Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>financial stability (known management fee / funding agreement) it can be easier for the Council's strategic outcomes to be met.</p> <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 focussed approach compared to an external contractor.</p>			<p>Therefore, whilst the NPDO 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> <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 focussed approach compared to an external contractor.</p>	<p>A specification can be put in place to monitor and measure performance.</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>
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
In-House	<p>The in-house operation is unable to gain NNDR relief. The Council currently receives VAT relief on swimming lessons, fitness classes and courses income, which is comparable to external operators, such as SLM.</p> <p>The Council is able to apply for external funding available only to statutory bodies.</p> <p>Due to the performance of The Pulse it is anticipated that under in-house management SPLC and the Lido would fare better financially than the current provider.</p> <p>The Pulse currently performs very well from an income perspective under in-house management against SPLC. However, due to the lack of control over maintenance costs, as they are managed centrally, expenditure is higher than other management options. Utility costs are also higher.</p> <p>Central support costs are typically higher than external contractors and at The Pulse central support costs are higher than average.</p> <p>The in-house team has successfully implemented voluntary programmes at other facilities that could be transferred to the Lido, working with Friends of Stratford Park Lido to minimise expenditure on this site.</p> <p>Revenue risk of underachieving against budget sits with Council.</p> <p>Business Plans for the two leisure centres have been completed for each management model. In a mature year the in-house option achieves the lowest overall surplus of £260k across both centres.</p> <p>The detailed summary is contained in appendix 16b. The business plan is based on the proposed new facilities recommended in stage 3 of the Leisure and Wellbeing Strategy – highlighting the potential improvement following the works under each management option. A mature year (year 5) has been used in the analysis.</p>			<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>It is expected that cost of the service will remain consistent against current budget if it remains in-house.</p> <p>Central support costs are typically higher than external contractors.</p> <p>Revenue risk of underachieving against budget sits with Council.</p>	<p>The Council is able to apply for external funding available only to statutory bodies.</p> <p>It is expected that cost of the service will remain consistent against current budget.</p> <p>Central support costs are typically higher than external contractors.</p> <p>Revenue risk of underachieving against budget sits with Council.</p>

Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>Where the Pulse is managed in-house income/expenditure projections take into account current performance, for example central costs reflect the actual central costs.</p> <p>It is assumed that all management options will achieve comparable income levels, due to the current income generated at the centres. Typically in-house management would be expected to achieve lower income however as the Council claims VAT relief on some key income streams and is exceeding both in-house and external contractor benchmarks at The Pulse, income generation is not anticipated to vary significantly across management models.</p> <p>Differences in expenditure are anticipated in:</p> <ul style="list-style-type: none">• NNDR – In-house the Council will pay 100% of costs• Salaries – whilst all management models will be expected to pay Real Living Wage rates, external contractors, LATC and NPDO's can implement different terms and conditions and pension rates, therefore in-house staff costs are anticipated to be slightly higher than the other options.• Utilities – At the Pulse in-house utility costs are high against benchmarks therefore utility costs at both centres are expected to be higher under the in-house option• Repairs and Maintenance – In-house these are managed by a different department and therefore limited control by the management team results in higher than average costs. This would not be the case under alternative management models. Although the Council could discuss ways in which this could be managed more efficiently in-house.• Central costs – in-house management typically has higher levels of central costs, the central costs for The Pulse are higher than average. A lower rate has been assumed in the SPLC in-house business plan (in line with in-house national benchmarks) so as not to duplicate costs factored into The Pulse.				
	Score - 3	Score - 3	Score - 3	Score - 4	Score - 4
External Contractor	A competitive tender process often 'sharpens' projections.			A competitive tender process often 'sharpens' projections. However, as	External Contractors often include additional risk/contingency for these

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Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>External contractors tend to set more ambitious targets against fitness and swimming lessons.</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 margin of 10%-12% of turnover.</p> <p>The ability for the Council to achieve savings in their central costs as a result of transferring management of all centres to an external contractor will be key to achieving financial savings under this model.</p> <p>The Council requires external contractors to implement the real Living Wage therefore staff savings usually expected from external contractors will not be realised.</p> <p>They are likely to receive VAT and NNDR relief.</p> <p>Any profits made in the contract may not be re-invested back into the facilities or wider Stroud District.</p> <p>A one-off cost of circa £100k-£120k 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>Business Plans for the two leisure centres have been completed under each management model. In a mature year the external contractor option achieves the highest overall surplus of £601k across both centres.</p> <p>The detailed summary is contained in appendix 16b. The business plan is based on the proposed new facilities recommended in stage 3 of the Leisure and Wellbeing Strategy – highlighting the potential improvement</p>			<p>operators tend to have less experience of museum management an element of risk/contingency may be built into projections.</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 margin of 10%-12% of turnover.</p> <p>The Council requires external contractors to implement the real Living Wage therefore staff savings usually expected from external contractors will not be realised.</p> <p>They are likely to receive NNDR relief.</p> <p>Any profits made in the contract may not be re-invested back into the Museum or wider Stroud District.</p> <p>A one-off cost of circa £100k-£120k should be included to cover the external advisors' (legal and leisure procurement) costs of procurement and other costs, for example condition surveys etc. If the Museum was combined with the leisure centres in one contract then this cost would not be duplicated.</p> <p>Revenue risk sits with the operator not the Council</p>	<p>types of services due to the nature of service delivery and uncertainty of securing long term funding for programmes and initiatives.</p> <p>Bidders are likely to reflect existing costs and be less innovative in their approach.</p> <p>Revenue risk sits with the operator not the Council</p>

Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.					
	SPLC	Lido	The Pulse	Museum SD, Health & Wellbeing Services	
	<p>following the works under each management option. A mature year (year 5) has been used in the analysis.</p> <p>The SPLC projections take into account the existing performance of the external contractor but also reflect the proposed investment and larger building size. The projections also assume that a new contract would be procured and therefore gone through a competitive procurement process, which is likely to improve on the current contract with SLM.</p> <p>It is assumed that all management options will achieve comparable income levels, due to the current income generated at the centres and benchmarked performance. The majority of external contractors are able to achieve VAT relief on income, however the activities that they are able to claim VAT relief against does vary depending on their governance structure. Consequently as the Council already receives a level of VAT relief and income benchmarks are very high at both centres the same income has been assumed across all management options. It may be possible that external contractors could achieve additional VAT relief in some areas, however, it would be high risk at this stage to make this assumption. It would also result in increased irrecoverable VAT costs in the expenditure.</p> <p>The main variances against the in-house model are:</p> <ul style="list-style-type: none">• NNDR – It is assumed that external contractors will achieve 80% NNDR relief• Salaries – whilst all management models will be expected to pay Real Living Wage rates, external contractors can implement different terms and conditions and pension rates, therefore there could be some savings in staff costs against the in-house option they will also have the support of a central team that could reduce onsite staffing requirements.• Utilities – Generally external contractors achieve lower utility costs per m2, due to the economies of scale they can achieve across the company. Therefore the cost per m2 included in the business plan is lower than the in-house option.			Economies of scale achieved from larger operators.	

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Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<ul style="list-style-type: none"> Repairs and Maintenance – Typically external contractors have lower maintenance costs due to economies of scale they can achieve. Therefore the cost per m2 included in the business plan is lower than the in-house option. Central costs – On average central costs are included by external contractors at c.7% expenditure. Profit – unlike in-house operations external contractors will require a level of profit to be built into their business plans which is typically around 5% of income. 				
	Score - 5	Score - 5	Score - 5	Score - 4	Score - 3
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> <p>The LATC would be required to implement the real Living Wage therefore staff costs comparable to in-house model.</p> <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.</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>Business Plans for the two leisure centres have been completed under each management model. In a mature year the LATC option achieves a surplus of £352k across both centres, which is between the in-house and external contractor position.</p>			<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 the 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> <p>The LATC would be required to implement the real Living Wage therefore staff costs comparable to in-house model.</p> <p>They can be set up under an appropriate structure to receive 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.</p>	<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 the 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> <p>The LATC would be required to implement the real Living Wage therefore staff costs comparable to in-house model.</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.</p> <p>Revenue risk will ultimately be underwritten by the Council</p>

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Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>The detailed summary is contained in appendix 16b. The business plan is based on the proposed new facilities recommended in stage 3 of the Leisure and Wellbeing Strategy – highlighting the potential improvement following the works under each management option. A mature year (year 5) has been used in the analysis.</p> <p>It is assumed that all management options will achieve comparable income levels, due to the current income generated at the centres and benchmarked performance. An LATC will be able to achieve VAT relief on income, however the activities that they are able to claim VAT relief against does vary depending on their governance structure. Consequently, as the Council already receives a level of VAT relief the same has been assumed across all management options. It may be possible that it could achieve additional VAT relief in some activity areas, however, it would be high risk at this stage to make this assumption, this would also result in increased irrecoverable VAT costs in the expenditure.</p> <p>The main variances against the in-house model are:</p> <ul style="list-style-type: none"> • NNDR – It is assumed that a LATC will achieve 80% NNDR relief • Salaries – whilst all management models will be expected to pay Real Living Wage rates, a LATC could implement different terms and conditions and pension rates, therefore there could be some savings in staff costs. • Utilities and Maintenance costs would be expected to be comparable to in-house management. • Central costs – LATC's have higher central costs due the need for a senior management team for the contract such as Chief Executive and finance manager. These costs cannot be spread over multiple contracts. The business plans assume 14%, which is in line with national benchmarks • Profit – it is likely that an LATC will need to build up a level of reserves and therefore may include this within their business plan. Consequently, 2% of income has been included in the projections. 			<p>Any profit could be re-invested back into the Museum.</p> <p>Revenue risk will ultimately be underwritten by the Council</p>	
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

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Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
Locally established NPDO	<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> <p>The NPDO would be required to implement the real Living Wage.</p> <p>It 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 NPDO.</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>Business Plans for the two leisure centres have been completed under each management model. It is assumed that the LATC and NPDO options would achieve a comparable revenue position.</p> <p>The detailed summary is contained in appendix 16b. The business plan is based on the proposed new facilities recommended in stage 3 of the Leisure and Wellbeing Strategy – highlighting the potential improvement following the works under each management option. A mature year (year 5) has been used in the analysis.</p> <p>It is assumed that all management options will achieve comparable income levels, due to the current income generated at the centres and benchmarked performance. A NPDO will be able to achieve VAT relief on income, however the activities that they are able to claim VAT relief against can vary depending on their governance structure. Consequently, as the Council already receives a level of VAT relief the</p>			<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 the 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> <p>The LATC would be required to implement the real Living Wage therefore staff costs comparable to in-house model.</p> <p>They can be set up under an appropriate structure to receive 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.</p> <p>Any profit could be re-invested back into the Museum.</p> <p>Revenue risk will ultimately be underwritten by the Council</p>	<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 the 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> <p>The LATC would be required to implement the real Living Wage therefore staff costs comparable to in-house model.</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.</p> <p>Revenue risk will ultimately be underwritten by the Council</p>

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Revenue Implications - Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.				
	SPLC	Lido	The Pulse	Museum
	<p>same has been assumed across all management options. It may be possible that it could achieve higher rates of VAT relief, however, it would be high risk at this stage to make this assumption, this would also result in increased irrecoverable VAT costs in the expenditure</p> <p>The main variances against the in-house model are:</p> <ul style="list-style-type: none"> • NNDR – It is assumed that a NPDO will achieve 80% NNDR relief • Salaries – whilst all management models will be expected to pay Real Living Wage rates, a NPDO could implement different terms and conditions and pension rates, therefore there could be some savings in staff costs against the in-house option. • Utilities and Maintenance costs would be expected to be comparable to in-house management. • Central costs – NPDO's have higher central costs due the need for a senior management team for the contract such as Chief Executive and finance manager. These costs cannot be spread over multiple contracts. The business plans assume 14%, which is in line with national benchmarks • Profit – it is likely that a NPDO will need to build up a level of reserves and therefore may include this within their business plan. Consequently, 2% of income has been included in the projections. 			
	Score - 4	Score - 4	Score - 4	Score - 4

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Capital Resource - Ability to support the design, build and mobilisation of new / re-developed facilities					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
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, SDC 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> <p>The Council has previously project managed and delivered investment projects successfully.</p> <p>SDC has access and is willing to use prudential borrowing to fund capital schemes, the decision making process for using this funding involves assessing the cost of borrowing against any income generated by the investment.</p> <p>SDC has some capital reserves available but are unlikely to fund major investments.</p>			<p>The Council would need to explore opportunities for investment, i.e. through prudential borrowing, funding streams i.e. potential of grants, heritage funding etc.</p> <p>If future funding is not available, SDC is dependent on grant funding.</p> <p>The Council would project manage the investments and takes the risk in any resulting projected income generation.</p> <p>The Council has previously project managed and delivered investment projects successfully, including obtaining external funding to deliver the walled garden project.</p> <p>SDC has access and is willing to use prudential borrowing to fund capital schemes, the decision making process for using this funding involves assessing the cost of borrowing against any income generated by the investment.</p> <p>SDC has some capital reserves available but are unlikely to fund major investments.</p>	
	Score - 5	Score - 5	Score - 5	Score - 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>Pre-Covid, organisations could access funding for smaller investments, but the preference was very much for the Council to fund larger scale works projects. The borrowing rates were more cost effective and as operators do not 'own' the buildings, loans are based on future revenue</p>			<p>Pre-Covid, organisations could access funding for smaller investments (e.g. I.T equipment), but the preference was very much for the Council to fund larger scale works projects. The borrowing rates were 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. With Covid-19 impacting reserves,</p>	

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Capital Resource - Ability to support the design, build and mobilisation of new / re-developed facilities					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>improvements as opposed to using assets / long leases as collateral. With Covid-19 impacting reserves, operators are likely to have less access to capital resources for even the smaller investment projects.</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> <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>			<p>operators are likely to have less access to capital resources for even the smaller investment projects.</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>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>	
	Score - 4	Score - 4	Score - 4	Score - 4	
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>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>	

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Capital Resource - Ability to support the design, build and mobilisation of new / re-developed facilities					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	Ultimately though with LATC having a limited trading history, any risk of these payments being made falls back to the Council.			Ultimately though with LATC having a limited trading history, any risk of these payments being made falls back to the Council.	
	Score - 3	Score - 3	Score - 3	Score - 3	
Locally established NPDO	<p>The NPDO 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 NPDO will use the revenue improvements to repay the capital costs.</p> <p>Ultimately though with the NPDO having a limited trading history, any risk of these payments being made falls back to the Council.</p>			<p>The NPDO 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>Ultimately though with the NPDO having a limited trading history, any risk of these payments being made falls back to the Council.</p>	
	Score - 3	Score - 3	Score - 3	Score - 3	

Risk/Sustainability - Ability to manage financial risk and the organisation is sustainable in the long term.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
<p>Current management models are; either external operators or local organisations. Where councils had contractual agreements in place with external operators, which defined who was responsible for 'impact' of Covid, due to the scale of the impact, whichever organisation carried the risk, neither has been able to meet its contractual obligations to recompense the other. In the majority of cases; the Council and operator has agreed which centres and facilities within centres have re-opened to minimise the cost to the Council and operator whilst trying to preserve the opportunities for residents to access facilities and programmes within the centres. This criterion therefore is considered in 'normal' operating circumstances.</p>					
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 Council has successfully managed the financial risk presented throughout the Covid-19 crisis.</p>		<p>All risk remains with the Council, including programming, branding, marketing, all areas of expenditure and securing grant funding.</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 Council has successfully managed the financial risk presented throughout the Covid-19 crisis.</p>		<p>All risk remains with the Council.</p> <p>The Council absorb and manage any under-performance/additional costs.</p> <p>The Council as a large organisation is able to manage short term trading performance.</p> <p>Council is responsible for securing grant funding for programmes and initiatives, which it has done successfully to date.</p>
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 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>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>They can achieve economies of scale in purchasing especially larger items, e.g. I.T equipment.</p>		<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>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>

Risk/Sustainability - Ability to manage financial risk and the organisation is sustainable in the long term.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<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> <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 			<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> <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) 	<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> <p>The Council will sign up to a contractual arrangement; it may have responsibilities that may incur costs.</p> <p>If the contract becomes financially unsustainable an external contractor may move focus to more commercial areas of the business to offset losses, which could impact their deliverability against the agreed specification.</p>

Risk/Sustainability - Ability to manage financial risk and the organisation is sustainable in the long term.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<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>			<ul style="list-style-type: none"> Structural building risk (given the age of the buildings) Full utility tariffs Reputational risk if the external organisation isn't successful <p>The Council will sign up to a contractual arrangement; it will have responsibilities that may incur costs.</p>	
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 3
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> <p>If a LATC fails, the Council can provide the additional funding required or allow the trust 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>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> <p>If a LATC fails, the Council can provide the additional funding required or allow the trust to fail and find alternative delivery models. Both can be both costly, resource heavy for</p>	<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> <p>If a LATC fails, the Council can provide the additional funding required or allow the trust to fail and find alternative delivery models. Both can be both costly, resource heavy for</p>

Risk/Sustainability - Ability to manage financial risk and the organisation is sustainable in the long term.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<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>SDC has established an LATC before and therefore has experience of managing this risk.</p>			<p>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>SDC has established an LATC before and therefore has experience of managing this risk.</p>	<p>officers and negative in terms of public relations.</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>SDC has established an LATC before and therefore has experience of managing this risk.</p>
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4
Locally established NPDO	To secure the contract a NPDO is required under procurement regulations to tender for the contract under an open tender process. A newly established NPDO will not				
	To secure the contract a NPDO is required under procurement regulations to tender for the contract under an open tender process.				
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Risk/Sustainability - Ability to manage financial risk and the organisation is sustainable in the long term.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>have the historical financial data compared to existing operators that could mean it does not make it through the selection questionnaire stage. I t will also not have the operational history compared to existing organisations making its ability to score higher limited. Consequently, there is a risk of establishing a NPDO for it to be unsuccessful during procurement.</p> <p>The key risk for a NPDO is that is 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 NPDO 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 NPDO 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 NPDO fails, the Council will have no option but to assume operational responsibility.</p> <p>If the NPDO fails, the Council can provide the additional funding required or allow the trust 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 NPDO 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>A newly established NPDO will not have the historical financial data compared to existing operators that could mean it does not make it through the selection questionnaire stage. I t will also not have the operational history compared to existing organisations making its ability to score higher limited. Consequently, there is a risk of establishing a NPDO for it to be unsuccessful during procurement.</p> <p>The key risk for a NPDO is that is 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 NPDO 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 NPDO 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 NPDO fails, the Council will have no option but to assume operational responsibility.</p> <p>If a NPDO fails, the Council can provide the additional funding required or allow the trust 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>newly established NPDO will not have the historical financial data compared to existing operators that could mean it does not make it through the selection questionnaire stage. I t will also not have the operational history compared to existing organisations making its ability to score higher limited. Consequently, there is a risk of establishing a NPDO for it to be unsuccessful during procurement.</p> <p>The key risk for a NPDO is that is 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 NPDO 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 NPDO 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 NPDO fails, the Council will have no option but to assume operational responsibility.</p> <p>If a NPDO fails, the Council can provide the additional funding required or allow the trust to fail and find alternative delivery models. Both can be both costly, resource heavy for officers and negative in terms of public relations.</p>

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Risk/Sustainability - Ability to manage financial risk and the organisation is sustainable in the long term.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>It is unlikely that a NPDO will be able to carry full risk for utilities, however a share in risk should be possible with the NPDO 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 local authority should be able to transfer the risk of carrying out works using local authority funding.</p> <p>A NPDO 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 NPDO 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>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>
	Score - 3	Score - 3	Score - 3	Score - 3	Score - 3

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Risk/Operations - Ability to manage day to day operational risk of complex leisure centres/services						
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services	
In-House	<p>With an established in-house leisure team there are no concerns over the ability of the in-house team managing all leisure facilities within the Councils portfolio.</p> <p>Existing staff and skills would transfer back to the Council at SPLC and the Lido.</p> <p>The repairs and maintenance would be managed through the council's central team, which at The Pulse has resulted in maintenance costs being significantly higher than average, although the centre is well maintained. 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, however the in-house team at The Pulse have demonstrated they can achieve income benchmarks comparable to SLM at SPLC.</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, which it currently has at The Pulse, to verify the quality of service being delivered and that it is offering value to its customers.</p>			<p>Currently, successfully managed in-house and is able to manage the day-to-day operational risks.</p> <p>Existing staff with the knowledge and experience will remain.</p> <p>There are already Forward Plans and operational policies and procedures in place, including an annual service improvement plan.</p>		<p>Existing staff with the knowledge and experience will remain.</p> <p>The Council team understands the local needs and priorities and has connections and networks that enable the service to be delivered successfully.</p> <p>There are a number of case studies of current projects and initiatives show casing the team's ability to deliver community health and wellbeing projects successfully.</p>
	Score - 5	Score - 5	Score - 5	Score - 5	Score - 5	
External Contractor	<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>All leisure contractors hold external validated quality accreditation i.e. Quest, Customer Service Excellence, IIP, ISO 14001, EMAS type awards.</p>			<p>External contractors, particularly leisure management companies have limited experience of museum management, however there are examples such as SLM at Cotswolds who manage the Corinium Museum.</p>		<p>Whilst staff would transfer to an external contractor, bringing their skills and experience, the local focus and priority could shift under an external contractor.</p> <p>External contractors have less experience of deliver sports, health and wellbeing development compared to facilities</p>

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Risk/Operations - Ability to manage day to day operational risk of complex leisure centres/services					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>They tend to have head office resource with dedicated manager for quality, health and safety, HR, environmental management, maintenance etc.</p> <p>A performance management system will be put in place with detailed key performance indicators for operators to achieve.</p> <p>At SPLC under an external contract the latest NBS report highlighted activity available, ease of booking and range of activities available as a strength.</p>			<p>They tend to have head office resource with dedicated manager for quality, health and safety, HR, environmental management, maintenance etc.</p> <p>A performance management system can be put in place with detailed key performance indicators for operators to achieve.</p>	<p>management. Typically they tend to focus on GP referral schemes and rehabilitation/prevention classes within leisure facilities and rarely deliver outreach health and wellbeing services.</p>
	Score - 5	Score - 5	Score - 5	Score - 4	Score - 3
Local Authority Trading Company	<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 required or it could utilise the Councils 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 a in house Property Services team.</p>			<p>Staff will transfer to the new LATC bringing their experience and knowledge, which will help minimise operational impact.</p> <p>It may take time to embed policies and procedures for a new LATC and therefore potential risk during mobilisation/transition period. However, there are a number of organisations that provide specialist health and safety, PR, marketing support etc. to small leisure trusts and a new LATC could buy in these skills as and when it required or it could utilise the Councils support services with a recharge arrangement.</p>	<p>Staff will transfer to the new LATC bringing their experience and knowledge, which will help minimise operational impact. It will be reliant on these members of staff to deliver the services as it will not be able to draw on previous experience.</p>
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

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Risk/Operations - Ability to manage day to day operational risk of complex leisure centres/services					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
<p>Locally established NPDO</p> <p>Staff will transfer to the new NPDO 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 LNPDO could buy in these skills as and when it required or it could utilise the Councils support services with a recharge arrangement.</p> <p>A NPDO 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 a in house Property Services team.</p>	<p>Staff will transfer to the new NPDO 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 LNPDO could buy in these skills as and when it required or it could utilise the Councils support services with a recharge arrangement.</p> <p>A NPDO 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 a in house Property Services team.</p>	<p>Staff will transfer to the new NPDO bringing their experience and knowledge, which will help minimise operational impact.</p> <p>It may take time to embed policies and procedures for a new NPDO and therefore potential risk during mobilisation/transition period. However, there are a number of organisations that provide specialist health and safety, PR, marketing support etc. to small leisure trusts and a new NPDO could buy in these skills as and when it required or it could utilise the Councils support services with a recharge arrangement.</p>	<p>Staff will transfer to the new NPDO bringing their experience and knowledge, which will help minimise operational impact.</p> <p>It may take time to embed policies and procedures for a new NPDO and therefore potential risk during mobilisation/transition period. However, there are a number of organisations that provide specialist health and safety, PR, marketing support etc. to small leisure trusts and a new NPDO could buy in these skills as and when it required or it could utilise the Councils support services with a recharge arrangement.</p>	<p>Staff will transfer to the new NPDO bringing their experience and knowledge, which will help minimise operational impact. It will be reliant on these members of staff to deliver the services as it will not be able to draw on previous experience.</p>	
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

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Council Influence and Control - Degree of Council control over the services on day to day basis.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
In-House	The Council will be able to exert the most direct control over services through the in-house management option.			The Council will be able to exert the most direct control over services through the in-house management option.	The Council will be able to exert the most direct control over services through the in-house management option.
	Score - 5	Score - 5	Score - 5	Score - 5	Score - 5
External Contractor	<p>The external contractor must deliver against the Council's specification and contract. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery.</p> <p>An outsourced partner will report to its own board of trustees / directors who may have differing objectives to the Council.</p> <p>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.</p>			<p>The external contractor must deliver against the Council's specification and contract. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery.</p> <p>An outsourced partner will report to its own board of trustees / directors, who may have differing objectives to the Council.</p> <p>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.</p>	<p>The external contractor must deliver against the Council's specification and contract. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery.</p> <p>An outsourced partner will report to its own board of trustees / directors who may have differing objectives to the Council.</p> <p>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.</p>
	Score - 3	Score - 3	Score - 3	Score - 3	Score - 3
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.</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>			<p>The specification will set out the Council's priorities in respect to programming and other elements of service delivery.</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>	<p>The specification will set out the Council's priorities in respect to key elements of service delivery.</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>

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Council Influence and Control - Degree of Council control over the services on day to day basis.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4
Locally established NPDO	<p>The specification will set out the Council's priorities in respect to pricing / programming and other elements of service delivery.</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>			<p>The specification will set out the Council's priorities in respect to programming and other elements of service delivery.</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>	<p>The specification will set out the Council's priorities in respect to key elements of service delivery.</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>
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

Customer Experience and 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.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
In-House	<p>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.</p> <p>The last customer survey at The Pulse in 2020, showed that the cleanliness across the three core activity areas is particularly good with no area scoring less than 4/5.</p> <p>The Council would need to re-brand SPLC and the Lido if it moved in-house and may need to consider District-wide branding to ensure consistency across the Councils facilities.</p> <p>The Council's in-house team achieved a Quest score of 'very good' at their latest assessment in May 2021.</p>			<p>The management team currently implement monitoring and reporting procedures to measure customer satisfaction.</p> <p>Customer surveys are undertaken and visitor books available on site.</p> <p>The Museum has held the Visit England Visitor Attraction Quality Assurance Scheme Award to a high standard since 2007.</p>	<p>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 service delivery plans and monitor them regularly.</p>
	Score - 4	Score - 4	Score - 4	Score - 5	Score - 5
External Contractor	<p>External contractors can bring a breadth of leisure experience.</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>External operators have extensive experience of achieve quality awards such as Quest.</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 local learning and cultural services.</p>	<p>Large operators tend to be weaker at delivering bespoke commissioned health and wellbeing services.</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>

Customer Experience and 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.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>The last NBS report for Stratford Park highlighted cleanliness and quality of equipment as weaknesses of the current operator, this would need to be addressed and monitored through any procurement process. There was also relatively low satisfaction with the food and drink offer at SPLC.</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>				
	Score - 4	Score - 4	Score - 4	Score - 3	Score - 3
Local Authority Trading Company	<p>Skill set of existing staff would transfer.</p> <p>Branding will need to be established.</p> <p>Customer satisfaction KPI's can be incorporated into the specification documents.</p> <p>More likely to have a local bespoke approach to customer service.</p>			<p>Skill set of existing staff would transfer.</p> <p>Branding will need to be established.</p> <p>Customer satisfaction KPI's can be incorporated into the specification documents.</p> <p>More likely to have a local bespoke approach to customer service.</p>	
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4
Locally established NPDO	<p>Skill set of existing staff would transfer.</p> <p>Branding will need to be established.</p> <p>Customer satisfaction KPI's can be incorporated into the specification documents.</p> <p>More likely to have a local bespoke approach to customer service.</p>			<p>Skill set of existing staff would transfer.</p> <p>Branding will need to be established.</p> <p>Customer satisfaction KPI's can be incorporated into the specification documents.</p> <p>More likely to have a local bespoke approach to customer service.</p>	
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

Staffing - Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
In-House	<p>All the existing staff skills and operational practice transfer back to the Council at SPLC and the Lido.</p> <p>It is likely that there could be increases in staff costs at SPLC and the Lido, where new employees would be employed on Council terms and conditions, however wages across all sites are required to meet the real Living Wage, therefore salary/wage costs are comparable across all options.</p> <p>Scope for progression for employees is limited to within the Centre/Council.</p>			<p>All the existing staff skills and operational practice remain.</p> <p>No change in staff costs.</p> <p>Some training (e.g. Safeguarding, Equalities, Fire Evacuation, Key Policies) is covered at All Staff events, which includes paid and voluntary members of the team. There is a full induction process for members of the Governing Body. The Museum also supports up to five work placements in any given year. The Museum has been awarded Council's <i>Skills of Stroud Employability Charter</i> in recognition of its employment activities.</p> <p>Scope for progression for employees is limited to within the Museum/Council.</p>	<p>All the existing staff skills and operational practice remain.</p> <p>No change in staff costs.</p> <p>Scope for progression for employees is limited to within the Council.</p>
	Score - 4	Score - 4	Score - 4	Score - 5	Score - 5
External Contractor	<p>Staff will be subject to TUPE so all current terms and conditions would be protected in accordance with legislation.</p> <p>External operators 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.</p> <p>External operators will offer training and development for staff specialising in the leisure industry.</p> <p>Any externalisation may crystallise any pension deficits. It is very likely that the Council would remain responsible for this under any externalisation process.</p>			<p>Staff will be subject to TUPE so all current terms and conditions would be protected in accordance with legislation.</p> <p>External operators 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.</p> <p>Any externalisation may crystallise any pension deficits. It is very likely that the Council would remain responsible for this under any externalisation process.</p>	<p>Staff will be subject to TUPE so all current terms and conditions would be protected in accordance with legislation.</p> <p>External operators 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.</p> <p>Any externalisation may crystallise any pension deficits. It is very likely that the Council would remain responsible for this under any externalisation process.</p>

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Staffing - Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
	<p>An established external operator is normally able to offer staff wider career opportunities within the company structure that otherwise would not have be available with a single contract operator.</p> <p>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.</p>			<p>An established external operator is normally able to offer staff wider career opportunities within the company structure that otherwise would not have be available with a single contract operator.</p>	
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4
Local Authority Trading Company	<p>Staff would transfer to the new Trust 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 although noted that the Council will require living wage to be implemented.</p>			<p>Staff would transfer to the new Trust under TUPE, with their terms and conditions protected.</p> <p>A LATC trust 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 although noted that the Council will require living wage to be implemented.</p>	
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

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Staffing - Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.					
	SPLC	Lido	The Pulse	Museum	SD, Health & Wellbeing Services
Locally established NPDO	<p>Staff would transfer under TUPE, with their terms and conditions protected.</p> <p>A new NPDO 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 NPDO to take on any pension deficits</p> <p>A NPDO could offer new joiners their own company terms and conditions, which could result in some staff savings although noted that the Council will require living wage to be implemented.</p>			<p>Staff would transfer to the new Trust under TUPE, with their terms and conditions protected.</p> <p>A NPDO trust 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 NPDO to take on any pension deficits</p> <p>A NPDO could offer new joiners their own company terms and conditions, which could result in some staff savings although noted that the Council will require living wage to be implemented.</p>	<p>Staff would transfer to the new Trust under TUPE, with their terms and conditions protected.</p> <p>A NPDO trust 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 NPDO to take on any pension deficits</p> <p>A NPDO could offer new joiners their own company terms and conditions, which could result in some staff savings although noted that the Council will require living wage to be implemented.</p>
	Score - 4	Score - 4	Score - 4	Score - 4	Score - 4

4.4 Evaluation Scores

- 4.4.1 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. The detailed scores are included at **Appendix 16c**.
- 4.4.2 It can be seen that the in-house option has scored the highest across all areas of the scope of the appraisal, with the LATC and external contractor option in second at the leisure centres. The LATC option scored higher for The Museum in the Park and sports development, health and wellbeing services, than the external contractor. At the leisure centres the difference between the LATC, NPDO and external contractor is marginal.

Table 10 - Evaluation Scores Summary

Centre	In-House	External Contractor	LATC	NPDO
SPLC	88%	78%	78%	76%
Lido	88%	78%	78%	76%
The Pulse	88%	78%	78%	76%
Museum in the Park	95%	70%	78%	76%
SD, Health and Wellbeing Services	95%	62%	80%	78%

4.5 Catering Services

- 4.5.1 Due to the unique setting of Stratford Park and the facilities within it, it is worth noting the potential for catering across the park as a whole. Currently, the catering services at the leisure centre and museum are managed by the respective management company for each venue. Whilst this is a standard approach and one that could continue in any future management arrangements, the Council as part of its future management options could consider separating the catering at SPLC, Lido and the Museum in the Park and offering it out under a concession or franchise arrangement to a specialist catering provider.
- 4.5.2 This is primarily due to the potential for catering across Stratford Park as a whole and providing a consistent quality of provision across both venues to drive the revenue potential.
- 4.5.3 There is scope to improve the quality at the leisure centre, increase secondary spend at the museum and also maximise secondary spend of Lido users and general park visitors, particularly in the summer months to create a profitable catering offer. With the potential investment across the facilities as outlined in Stage 3 of the Leisure & Wellbeing Strategy catering will be central to increasing dwell time and usage.
- 4.5.4 The nearest café is at Tesco, which has a Costa coffee shop, however this is not easily accessible by park users as it requires crossing the road and Tesco car park to reach.

- 4.5.5 It is recommended that regardless of management option, the specification and monitoring of the catering service at all venues is carefully considered and implemented. Consequently, it is recommended that the Council seeks specialist catering advice from suppliers to understand the potential for a concession or franchise arrangement, prior to finalising the future management option.

5 Conclusions

- 5.1 Based on the evaluation criteria and weighting given to each, the in-house management option is recommended as being best able to deliver against the Council's outcomes, across all facilities and services. It is, however, likely to result in increased revenue costs due to the additional NNDR and other operational costs.
- 5.2 The LATC and NPDO options would be well placed to deliver against the Council's outcomes and operate at a better financial position than the in-house model across the leisure centres, however as a new entity, there is slightly more risk involved with this option. The NPDO would also have to be successful in a procurement process.
- 5.3 The external contractor model, whilst scores the highest from a revenue perspective across the leisure centres its ability to deliver against leisure, health and wellbeing outcomes is not deemed to be as effective as the in-house or LATC/NPDO options. It also scored significantly lower than both the in-house and LATC options for the Museum in the Park and sports development, health and wellbeing services.
- 5.4 Achieving Council outcomes and revenue position are considered the most important factors in the evaluation criteria. Additional analysis shows that if the weightings between these two areas were equal, or revenue was the higher weighting of the two then the in-house option will still score highest overall due to its performance in other areas of the evaluation. Although the difference between the two models is reduced from 10% at the leisure centres to 2% if the weightings are switched.
- 5.5 Consequently, it is recommended that the Council considers either operating all of the facilities and services in-house or depending on financial pressures, establish a LATC for the management of the leisure centres. If the Council follows the LATC model, then it could consider a phased approach, bringing the leisure centres under its management initially. A NPDO would not be recommended due to the risk involved from a procurement process.
- 5.6 It is recommended that the Museum in the Park and sports development, health and wellbeing services continue to be delivered in-house. However, if a LATC is established then once matured the Council could further assess the opportunity of transferring the Museum and sports development, health and wellbeing services under its management.
- 5.7 Prior to the Council mobilising its preferred management option, it is recommended that they seek specialist catering advice to understand the potential of having one catering provider across the Park as whole.

Appendix 16a – Options for Transfer of SDC’s Leisure and Wellbeing Services to a New Corporate Vehicle²

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	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

² 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)
a tender exercise?				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 WCC would have to tender that contract as CIO cannot be a Teckal company	Yes, but WCC 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)
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	Specific advice required taking into account the Council's own	Yes, because by definition is a charitable organisation which	Can register as charity for tax purposes with HMRC.

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
	partial VAT exemption. There is a Sporting Services VAT exemption (VAT Notice 701/45). Specific considerations about taxing the property if a property disposal	partial VAT exemption. There is a Sporting Services VAT exemption (VAT Notice 701/45). Specific considerations about taxing the property if a property disposal	gets HMRC registration for charitable purposes and therefore VAT relief. Specific considerations about taxing the property if a property disposal	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 corpor as required SDC governance approval. 2. If SDC 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. 			

Appendix 16b – Revenue Implications

Stratford Park Leisure Centre – Year 5 – All Management Options

SPLC	In-House	External Contractor	LATC/NPDO
Health & Fitness Membership	760,074	760,074	760,074
Health & Fitness Casual	39,167	39,167	39,167
Health & Fitness Group Exercise	75,761	75,761	75,761
Toning Membership	74,974	74,974	74,974
Spa & Treatment Room Hire	135,083	135,083	135,083
Swimming - Casual	87,769	87,769	87,769
Swimming - Lessons/Courses	497,230	497,230	497,230
Swimming - Hire	98,639	98,639	98,639
Sports Hall	118,695	118,695	118,695
Squash	23,269	23,269	23,269
Adventure Play Zone (Digital)	224,179	224,179	224,179
Outdoor - 3G Pitch	60,178	60,178	60,178
Outdoor - Tennis & Padel	30,301	30,301	30,301
Secondary - Catering	286,240	286,240	286,240
Secondary - Retail	54,526	54,526	54,526
Adventure Golf	238,508	238,508	238,508
TOTAL INCOME	2,804,591	2,804,591	2,804,591

EXPENDITURE			
Salaries	1,517,920	1,454,156	1,454,156
Utilities	186,395	159,767	186,395
NNDR	134,400	26,880	26,880
Insurance	28,046	28,046	28,046
Lifecycle	65,000	65,000	65,000
Repairs & Maintenance	123,000	116,850	123,000
Cleaning	13,838	13,838	13,838
Equipment	15,375	15,375	15,375
Other Supplies	28,046	28,046	28,046
Advertising & Marketing	56,092	56,092	56,092
Communications	14,023	14,023	14,023
Other Administration	15,179	14,542	14,542
Costs of Sales	170,383	170,383	170,383
Capital Costs	0	0	0
Irrecoverable VAT	28,615	27,278	28,590
OPERATIONAL EXPENDITURE	2,396,311	2,190,275	2,224,364

Central Costs	167,742	153,319	311,411
Profit	0	109,514	44,487
	2,564,053	2,453,108	
TOTAL EXPENDITURE			2,580,262

The Pulse, Dursley – Year 5 – All Management Option

The Pulse	In-House	External Contractor	LATC/NPDO
Health & Fitness Membership	539,966	539,966	539,966
Health & Fitness Casual	44,438	44,438	44,438
Health & Fitness Group Exercise	45,210	45,210	45,210
Swimming - Casual	145,420	145,420	145,420
Swimming - Lessons/Courses	414,365	414,365	414,365
Swimming Lessons - Private	62,000	62,000	62,000
Swimming - Hire	55,486	55,486	55,486
Secondary - Vending	15,413	15,413	15,413
Secondary - Retail	30,826	30,826	30,826
Other	0	0	0
TOTAL INCOME	1,353,125	1,353,125	1,353,125

EXPENDITURE			
Salaries	758,312	723,839	723,839
Utilities	96,445	52,606	96,445
NNDR	51,408	10,282	10,282
Insurance	13,531	13,531	13,531
Lifecycle	25,000	25,000	25,000
Repairs & Maintenance	48,600	24,300	48,600
Cleaning & Chemicals	29,160	29,160	29,160
Equipment	26,730	26,730	26,730
Other Supplies	9,472	9,472	9,472
Advertising & Marketing	27,062	27,062	27,062
Communications	6,766	6,766	6,766
Other Administration	3,792	3,619	3,619
Costs of Sales	23,120	23,120	23,120
Depreciation	0	0	0
Irrecoverable VAT	12,387	9,655	12,380
Other	0	0	0
OPERATIONAL EXPENDITURE	1,131,785	985,141	1,056,005

Central Costs	202,353	68,960	147,841
Profit	0	49,257	21,120
	1,334,138	1,103,358	
TOTAL EXPENDITURE			1,224,966

SPLC & The Pulse	In-House	External Contractor	LATC/NPDO
Combined Surplus	259,526	601,249	352,487

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Appendix X - Management Options Appraisal

Appendix 16c – Detailed Evaluation Scores

SPLC				Score				Weighted Score			
	Criteria	Measures	Overall weighting	In-House	External Contractor	LATC	NPDO	In-House	External Contractor	LATC	NPDO
1	Council Objectives/Strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.	25%	5	3	4	4	25%	15%	20%	20%
3	Revenue implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.	15%	3	5	4	4	9%	15%	12%	12%
4	Capital resources	Ability to support the design, build and mobilisation of new / re-developed facilities	10%	5	4	3	3	10%	8%	6%	6%
5	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	10%	4	4	4	3	8%	8%	8%	6%
6	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services	10%	5	5	4	4	10%	10%	8%	8%
7	Council influence and control	Degree of Council control over the services on day to day basis.	10%	5	3	4	4	10%	6%	8%	8%
8	Customer experience and 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	4	12%	12%	12%	12%
9	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%	4%	4%
			100%	35	32	31	30	88%	78%	78%	76%

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STRATFORD PARK LIDO				Score				Weighted Score			
	Criteria	Measures	Overall weighting	In-House	External Contractor	LATC	NPDO	In-House	External Contractor	LATC	NPDO
1	Council Objectives/Strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.	25%	5	3	4	4	25%	15%	20%	20%
3	Revenue implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.	15%	3	5	4	4	9%	15%	12%	12%
4	Capital resources	Ability to support the design, build and mobilisation of new / re-developed facilities	10%	5	4	3	3	10%	8%	6%	6%
5	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	10%	4	4	4	3	8%	8%	8%	6%
6	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services	10%	5	5	4	4	10%	10%	8%	8%
7	Council influence and control	Degree of Council control over the services on day to day basis.	10%	5	3	4	4	10%	6%	8%	8%
8	Customer experience and 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	4	12%	12%	12%	12%
9	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%	4%	4%
			100%	35	32	31	30	88%	78%	78%	76%

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THE PULSE, DURSLEY				Score				Weighted Score			
	Criteria	Measures	Overall weighting	In-House	External Contractor	LATC	NPDO	In-House	External Contractor	LATC	NPDO
1	Council Objectives/Strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.	25%	5	3	4	4	25%	15%	20%	20%
3	Revenue implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.	15%	3	5	4	4	9%	15%	12%	12%
4	Capital resources	Ability to support the design, build and mobilisation of new / re-developed facilities	10%	5	4	3	3	10%	8%	6%	6%
5	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	10%	4	4	4	3	8%	8%	8%	6%
6	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services	10%	5	5	4	4	10%	10%	8%	8%
7	Council influence and control	Degree of Council control over the services on day to day basis.	10%	5	3	4	4	10%	6%	8%	8%
8	Customer experience and 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	4	12%	12%	12%	12%
9	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%	4%	4%
			100%	35	32	31	30	88%	78%	78%	76%

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MUSEUM IN THE PARK				Score				Weighted Score			
	Criteria	Measures	Overall weighting	In-House	External Contractor	LATC	NPDO	In-House	External Contractor	LATC	NPDO
1	Council Objectives/Strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.	25%	5	3	4	4	25%	15%	20%	20%
3	Revenue implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.	15%	4	4	4	4	12%	12%	12%	12%
4	Capital resources	Ability to support the design, build and mobilisation of new / re-developed facilities	10%	5	4	3	3	10%	8%	6%	6%
5	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	10%	4	4	4	3	8%	8%	8%	6%
6	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services	10%	5	4	4	4	10%	8%	8%	8%
7	Council influence and control	Degree of Council control over the services on day to day basis.	10%	5	3	4	4	10%	6%	8%	8%
8	Customer experience and 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%	5	3	4	4	15%	9%	12%	12%
9	Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	5%	5	4	4	4	5%	4%	4%	4%
			100%	38	29	31	30	95%	70%	78%	76%

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SPORTS DEVELOPMENT, HEALTH & WELLBEING SERVICES				Score				Weighted Score			
	Criteria	Measures	Overall weighting	In-House	External Contractor	LATC	NPDO	In-House	External Contractor	LATC	NPDO
1	Council Objectives/Strategic outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council and of the Leisure & Wellbeing Strategy. Ability to increase targeted participation and Social Value.	25%	5	3	4	4	25%	15%	20%	20%
3	Revenue implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs.	15%	4	3	4	4	12%	9%	12%	12%
5	Risk/sustainability	Ability to manage financial risk and the organisation is sustainable in the long term.	10%	4	3	4	3	8%	6%	8%	6%
6	Risk / operations	Ability to manage day to day operational risk of complex leisure centres/services	10%	5	3	4	4	10%	6%	8%	8%
7	Council influence and control	Degree of Council control over the services on day to day basis.	10%	5	3	4	4	10%	6%	8%	8%
8	Customer experience and 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.	20%	5	3	4	4	20%	12%	16%	16%
9	Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development.	10%	5	4	4	4	10%	8%	8%	8%
			100%	33	22	28	27	95%	62%	80%	78%

Disclaimer

Although the information in this report has been prepared in good faith, with the best intentions, on the basis of professional research and information made available to us at the time of the study, it is not possible to guarantee the financial estimates or forecasts contained within this report.

Max Associates cannot be held liable to any party for any direct or indirect losses, financial or otherwise, associated with any information provided within this report. We have relied in a number of areas on information provided by the client and have not undertaken additional independent verification of this data.