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Meeting: Place and Environment Scrutiny Committee
Date: Monday 25th March, 2024
Time: 7.00 pm
Venue: Council Chamber Corby Cube, Corby, NN17 1QG

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<https://www.youtube.com/c/DemocraticServicesNorthNorthantsCouncil>

To members of the Place and Environment Scrutiny Committee

Councillor Graham Lawman (Chair), Councillor Valerie Anslow, Councillor Melanie Coleman, Councillor Emily Fedorowycz, Councillor Philip Irwin, Councillor Macaulay Nichol, Councillor Mark Pengelly, Councillor Geoff Shacklock and Councillor Lee Wilkes

(Substitutes: Cllrs Carter, Currall, Dalziel, Dearing, Dell, Henson, O'Hara, Watts)

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09	Close of Meeting		
<p>Sanjit Sull, Monitoring Officer North Northamptonshire Council</p>  <p>Proper Officer 15 March 2024</p>			

This agenda has been published by Democratic Services.

Committee Administrator: Ben Smith

☎ 01832 742113

✉ ben.smith@northnorthants.gov.uk

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Minutes of a meeting of the Place and Environment Scrutiny Committee

At 7.00 pm on Monday 5th February, 2024 in the
Corby Cube, George Street, Corby, Northants, NN17 1QG

Present:-

Members

Councillor Melanie Coleman
Councillor Philip Irwin
Councillor Graham Lawman

Councillor Mark Pengelly
Councillor Geoff Shacklock

Officers

George Candler, Executive Director of Place & Economy
Graeme Kane, Assistant Director of Highways & Waste
Rob Harbour, Assistant Director of Growth & Regeneration
Kerry Purnell, Assistant Director Communities and Leisure
Chris Wragg, Head of Strategic Transport
Ben Smith, Head of Democratic Services
Carol Mundy, Senior Democratic Services Officer, (Committees/Members)
Emma Robinson, Democratic Services Support Officer.

26 Election of Chair

The Head of Democratic Services, Ben Smith, introduced this item and explained that as both the chair and vice-chair were no longer members of the committee that there was a requirement for a new chair to be elected thereto.

Mr Smith sought nominations for this position.

Councillor Shacklock proposed that Councillor G Lawman be elected as chair and this was seconded by Councillor Coleman and upon being put to the vote the motion was declared carried.

Councillor G Lawman was duly elected as chair of the Place and Environment Scrutiny Committee for the remainder of the municipal year.

Councillor Lawman thanked members of the committee and expressed his thanks to Councillor G Mercer for her work as the previous chair and wished her every success in her new role as an executive member.

Resolved that Councillor G Lawman be elected as chair of the committee for the remainder of the municipal year.

Councillor Graham Lawman – in the Chair

27 Apologies for absence

Resolved that it be noted that Councillors Anslow, Fedorowycz and Wilkes had submitted apologies for this meeting.

28 Minutes of the meeting held on 19 December 2023

The minutes of the meeting held on 19 December 2023 were received.

Resolved:

That the minutes of the meeting held on 19 December 2023 be approved and signed as an accurate record of that meeting.

29 Members' Declarations of Interest (if any)

The chair invited those members who wished to do so to make a declaration of interest.

Resolved to note that the following declarations were made:

Councillor	Item	Reason
G Lawman	Communities Strategy and Strategic Investment into the Voluntary, Community and Social Enterprise Sector.	Personal Director of Shire Community Services and Hemmingwell Community Centre
M Pengelly	As above	Personal Volunteers at Stephenson Way Community Centre

30 Communities Strategy and Strategic Investment into the Voluntary, Community and Social Enterprise Sector

The circulated report of the Assistant Director Communities and Leisure, Kerry Purnell was received.

The assistant director presented the report to the committee along with appendix A, the North Northamptonshire Council's draft Communities Strategy.

The strategy had been co-produced with representatives from the voluntary, community and social enterprise sector (VCSE) and set out the new strategic grants framework for a period of three years from 1 April 2024. It also detailed the new infrastructure support arrangements to be tendered and contracted for a three-year period from 1 September 2024.

The report informed the committee that there were 168 VCSE member organisations connected to the locality based networks in Kettering and Corby with 200 across Wellingborough and East Northants, many were self-funding and ranged from small volunteer-run community groups to larger charities, some providing specialised work, such as debt casework, mental health counselling, support to victims of domestic abuse, and drug treatment and recovery.

The purpose of the strategy was to emphasise and strengthen the role of the VCSE, residents and communities to deliver the corporate place and Northamptonshire Integrated Care Systems' 'Live your Best Life Strategy', within the context of the place-based delivery model.

The strategy would bring together key themes which underpin a number of national and local agendas into a co-ordinated framework for effective partnership working with the VCSE and will be achieved through mutually beneficial relationships between all directorates in the council, with the VCSE and town and parish councils to support positive relations across all organisations to drive innovation, collaboration and meaningful co-production.

The report detailed the five principal aims for the period 2024-2027. Provided within the strategy were eight key themes further detailed in the report with the following themes being of focus for 2024-2027:

- Core cost support to the Community Centres, which were supported by the former sovereign councils;
- Financial inclusion;
- Community transport;
- Prevention of social isolation for older people;
- Community mental health and wellbeing;
- Increasing resilience in the VCSE to provide support for vulnerable residents, as identified through the new Support North Northants Service (SNN);
- Promotion and advocacy for equalities.

The chair thanked Mrs Purnell for the report and information presented and invited the committee to comment thereon.

The comments and questions raised are summarised below:

- It was commented that in the former East Northants area there were limited community centres, however it was pointed out that there were many village halls that would be used for various groups and these may be supported by parish or town councils or receive grant funding;
- The lack of suitable facilities for young people was noted and more youth support in general would be welcomed;
- It was noted that Community Centres provided excellent facilities and were a great asset to all ages and continued engagement and support was key;
- In relation to the levelling up work undertaken on the Kingswood estate, a question was asked about how progress could be demonstrated and what impact the project had achieved for those living in the area. Committee was informed that levelling up was not directly related to this report but that the subject of levelling up would be the subject of a separate report to the Executive.
- Officers were asked when tender documentation would be available. Officers clarified that the documentation had been written and once the grant agreements had been finalised and adopted the specification would go out to the marketplace in the next couple of months.
- Members commended the voluntary sector for all the work undertaken in the community and commented that it was a big return for a relatively small amount of money.

- Reference was made to the ongoing renovation work at Grosvenor House. It was confirmed that there would be an opportunity for the voluntary sector to use the multi-use building as a space to work out of and provide a One-Stop Shop Service if they wished to do so.
- It was noted that there would be community centres built soon on the sustainable urban extensions (SUEs) such as Hanwood Park, Stanton Cross, and these would need support to grow and develop in the future.
- A further comment was noted that there was no inflationary link to the funding, which may be worth investigating.

The chair proposed the recommendations within the report, which on being put to the vote were declared carried.

Resolved that it be recommended to the Executive that:

- (i) The Communities Strategy be approved;
- (ii) Approval be given to the proposed VCSE Strategic grants framework and the proposed VCSE Infrastructure support arrangements for the period 2024-2027.

31 **Bus Service Improvement Plan & Funding**

The circulated report of the Assistant Director, Highways and Waste was received.

Mr Wragg, Head of Strategic Transport presented the report to committee. He referenced the Bus Service Improvement Plan (BSIP) appended to the report along with further appendices relating to the enhanced Partnership Plan, the Enhanced Partnership Scheme and the list of proposed new/improved bus services. He was supported by Mr Douglas, Principal Public Transport Officer.

He explained that the Government in March 2021 had published the 'Bus Back Better, the National Bus Strategy for England (outside London). NNC had also published its own Bus Service Improvement Plan, approved by Executive in November 2021.

An enhanced partnership with local bus operators and the council had been formed with the enhanced partnership plan and enhanced partnership scheme being agreed by the Executive in April 2022.

NNC had not received funding initially from the Department of Transport, however, a grant had been allocated in the sum of £569,412 of Bus Service Improvement Plan Plus grant funding for each of the financial years 2023/24 and 2024/25. In October 2023 an allocation of £2.045m revenue funding was received.

Whilst the funding was welcomed there was concern that this would lead to expenditure in year one, with the potential for this to be withdrawn in subsequent years, due to a lack of funds. Spending plans were currently being drawn up and would focus on service improvements where it is possible that enhancements can become financially viable in a short timescale or which can access alternative funding sources beyond 2023/26. The Department of Transport required an updated BSIP by 12 June 2023 and this was being worked on.

The chair thanked Mr Wragg and Mr Douglas for their report and opened the subject up to committee to discuss further.

Summarised below are the comments and questions raised by the committee:

- Members considered that the local bus services were inadequate in the rural areas, leading to long-term isolation for those living in many of the villages. A question about why buses going from one destination to another could not be diverted to stop at villages to ensure that communities had a regular service. There was concern expressed about the lack of transport in the East Northamptonshire area.
- The X4 Service was referenced as an extremely useful service travelling between Northampton to Peterborough calling at various places including, Earls Barton, Wellingborough, Kettering and Corby and this was a regular and well used service. It was also noted that routes to Rushden Lakes were useful and regular.
- Regarding bus services within the towns, these were deemed to be good, but it was considered that these could be extended to village areas.
- A question was asked as to whether future Section 106 contributions could be directly used to fund bus services? Sustainable Urban extensions, such as Priors Hall and Weldon Park, were located outside of the towns and those living there would need transportation. It was suggested that the Developer Contributions Scrutiny Panel could consider this
- It was suggested that a review of long-standing bus services should be undertaken.
- Improvements to bus stops, previously agreed by sovereign councils, should be prioritised.
- There was also concern that transportation was poor to enable the public to access hospital services to attend out-patient appointments often having to get three buses, which was not acceptable.
- A question was asked over whether the subsidised bus services had increased bus usage.
- It was understood that there would be challenges as long-term funding was not known and that to promise a service and then cancel it would be very unpopular.
- It was noted that some services were essential to ensure that people could get to employment such as the routes to Park Farm Industrial Estate and other industrial estates.
- Working with bus operators was encouraged and essential to provide services that would be used and would be viable.

The chair thanked members for their comments and proposed that the recommendation within the report be put. On being put to the vote the motion was declared carried.

Resolved that:

- (i) The contents of the report be noted, and that approval be given to the proposal to develop an updated Bus Service Improvement Plan, to include proposals for spending the £2.045m of BSIP revenue funding indicatively allocated to the council for 2024/25;
- (ii) The concerns and feedback of the committee be noted.

32 Surplus Assets Disposal

The chair informed the committee that this item had been withdrawn from the agenda.

33 Exempt appendices for Surplus Asset Disposals

It was noted that as the item above had been withdrawn from the agenda the appendices would not be discussed.

Chair

Date

The meeting closed at 8.41pm

Place and Environment Scrutiny Committee Monday 25th March 2024

Report Title	The Future of Kettering Leisure Village – Options Review
Report Authors	Kerry Purnell, Assistant Director Communities and Leisure Jonathan Waterworth, Assistant Director Assets and Environment

Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	Not applicable
Which Corporate Plan priority does the report most closely align with? Our priorities for the future North Northamptonshire Council (northnorthants.gov.uk)	Active, fulfilled lives

List of Appendices

Appendix A - Kettering Leisure Village Options Review

1. Purpose of Report

- 1.1. On 22nd June 2023, full Council considered a motion concerning the future of Kettering Leisure Village (“KLV”). Following consideration of the motion, it was resolved:

“This council values all the opportunities provided, directly or indirectly, for the benefit of residents’ health and well-being across North Northamptonshire. In particular this council welcomes the economic benefits for Kettering and the wider regional area of having a premier national conference centre, combined with public sporting and theatrical venues (commonly known as the Kettering Leisure Village, the KLV).

The KLV's continued public and private availability on a long-term, sustainable, basis is critical to the well-being of all residents along with the wider economic prosperity of North Northamptonshire.

A business and legal case which considers the viability of stepping in needs to be urgently created and scrutinised through the formal scrutiny process before

being considered by the Executive. Following which (if required) a budget should be agreed by the 3rd of July 2023.”

- 1.2. A report was approved at the Council’s Executive on 3rd August 2023 which set out the position with respect to the decision of Compass Contracts Services UK Ltd (CCS) to close KLV by 3rd July 2023, subsequent actions taken by the Council, Executive and Officers, through liaison with CCS and the leaseholder of the site, Phoenix Leisure Management (PLMS), to broker an interim solution to support the site to remain open, and the considerations required to develop an options appraisal for the longer-term operation of the site. Specifically, the recommendations which were approved stated that the Executive:
 - i) Note the motion approved by Council on 22nd June 2023;
 - ii) Agree to receive a comprehensive business case, including associated options appraisal and details of any agreement between North Northamptonshire Council and Phoenix Leisure Management
 - iii) Endorse the agreement in principle to agree revisions to the provisions of the lease to support the site to remain open.
- 1.3. This report details the current position in relation to Kettering Leisure Village, introduces a business case, including associated options appraisal, and sets out details of the agreements between North Northamptonshire Council and PLMS.
- 1.4. The report confirms and clarifies the legal ownership of the site and confirms that the Councils options are limited in terms of exercising control over it.
- 1.5. Finally, the report considers what, if any, potential management options are available to the Council in respect of the site, if it came back into full control of the Council.

2. Executive Summary

- 2.1. The key findings from the Options Review are:
 - The leasehold relationships confirm the Council’s ability to control the site is limited to a covenant on the lease stating that the land is to be used for leisure purposes and subject to the management provisions contained at schedule 3, which include step-in rights if the Sports Area is closed for 48 hours or more, and the services subject to the grant funding agreement relating to Arena Sports and the theatre.
 - The legal relationship between the Freeholder, Leaseholder(s) and operator, as set out in section 4.2. of this report, directly affects the Options Review.

2.2 As a result of the legal relationship between the parties (the manner in which their respective legal interests arise) the Council currently has no control over the KLV site and has limited management step-in rights. The Council does not have power to direct the provider in how and what services are delivered at the site, with the exception of the covenant on the lease that the land is to be used for leisure purposes and the services subject to the grant funding agreement relating to Arena Sports and the theatre.

- The Council can only gain control over the site, if PLMS voluntarily relinquish their lease and walk away. In this circumstance the Council could negotiate a surrender of the lease however, this would be at a cost to the Council. The cost of this is currently unknown as it is dependent on a condition survey of the building and business growth and profitability at the point of sale.
- The current arrangement with PLMS, as set out in section 5.10. of this report, is a short-term solution and was entered into in August 2023. However, the indications from PLMS are that they are committed to the site and to growing the business to make it sustainable for the future.
- PLMS are not currently operating all of the site. The children's soft play and the conferencing facilities remain closed; PLMS are exploring all opportunities to bring these back into use which demonstrates their commitment to the site.
- There are no management options open to the Council under the site's current ownership, however if the Council does come into control of the site (e.g. a voluntary or negotiated surrender), then there are three management delivery options it could consider in the short term, as well as the 'Do Nothing' option
 - In-house
 - Local Authority Trading Company
 - External Contractor
- Should an option to manage the site arise (not presently available as an option) management options should be considered on a short-term basis to tie into the wider leisure portfolio and contract end dates and with the adoption of the new Leisure Facilities Strategy. KLV could, if an option to manage the site arises, be incorporated into the management options appraisal being completed in early 2025 for implementation when the current leisure contracts end in 2027/2028. For completeness these options are not available at the present time for the reasons set out in this report.
- There are advantages and disadvantages to all management options should they arise relating to cost and risk to the Council, which are set out in the

Options Review. The findings of the options review confirm all operating models would create a deficit funding position in the order of £255k-£484k per annum, requiring the Council to reprioritise discretionary funding. Councillors should bear in mind that these figures are correct at the time of presenting this report. As an option to manage is not presently available these costs would need to be revised if such an option became available.

- In response to the original Council motion, following assessment of options it is not viable for the Council to take on operational control of KLV at this time due to the nature of the legal ownership of the site. Furthermore, if that were to change and the Council was in control of the site the assessment of options also confirms that it would not be financially viable as there is significant cost detriment to the Council.
- Notwithstanding the above, it remains vital the Council continues to proactively undertake its duties as landlord for an important local facility via the existing lease obligations and continues to engage proactively with the existing tenant over their future plans.

3. Recommendations

3.1. It is recommended that Planning and Environment Scrutiny Committee:

- i) Notes the position set out in this report regarding the legal ownership of the KLV site arising from the nature of the Council's and PLMS's leasehold interest;
- ii) Notes the Options Review produced by Max Associates, and that these options are predicated on the Council having full control of the site which it currently does not have;
- iii) Notes the Council is not able to take control of the site and take on the day to day running of KLV under any of the options laid out in the Options Review due to the nature of its legal interest;
- iv) Notes the recommendation in the Options Review that, should the site come back into the full control of the Council, in the short term, an external contractor would be the most sustainable solution, but also notes the subsequent budgetary pressure this would create, whilst the wider management model for the Council's entire leisure portfolio is considered.
- v) Endorses the current proactive approach of the Leisure and Asset Management teams in working with PLMS to support the ongoing business growth and development of future plans;

- vi) Considers any additional comments of the Committee it wishes the Executive to consider.

3.1.1. **Reasons for Recommendations:**

- The Council is not in control of the KLV site and legally has limited step-in rights to manage the facility and the obligations within the sub-underlease that require the sports facilities to remain open. Courts do not support keep open clauses and the only recourse they would consider if a breach occurred, is compensation to the landlord of any loss of income etc. This would not resolve the issue and it is not likely that any compensation awarded would fully compensate any loss, nor does it guarantee PLMS could pay such costs. PLMS has confirmed its commitment to the site and has made recent capital investment into it.
- The Council is engaging with PLMS in its capacity as Landlord to explore ways it can continue to support the sustainability of the centre, without financial detriment to the Council.
- The Council is in the process of developing a Leisure Facilities Strategy and a review of Future Management Options for the whole of its leisure estate which will report in early 2025. Any future decision regarding KLV needs to be considered in this wider strategic context.
- There are no management options as a result of the legal interests in the site. It is therefore not an option for the Council to take on the running of KLV.

3.1.2 **Alternative Options Considered:**

- The Council could approach PLMS and ask that they voluntarily relinquish their lease and all rights to the site, at no cost to the Council. Alternatively the Council could open negotiations with PLMS to surrender their lease at a premium to the Council. Either of these two options could give the Council control of the site. These options are not recommended as the options appraisal confirms that the Council operating the site is not financially viable.
- PLMS have not shown any indication that they would wish to relinquish the lease without payment. The cost of a negotiated surrender is currently unknown as it would be dependent on PLMS bringing this option forward, a condition survey of the building and on business growth and profitability at the point of sale. For KLV, this is continuously changing and currently improving, from almost a restart position, following the threat of closure in the summer of 2023. Market value does not reflect worth to the Council, nor necessarily does the price Phoenix would accept to surrender the lease.

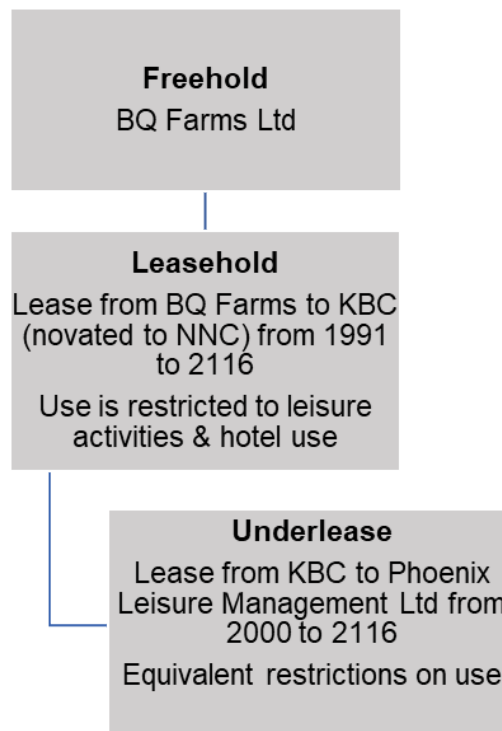
- Notwithstanding that the option to negotiate a surrender of the lease is a matter for PMLS to bring forward, to do so at any cost to the Council, is not recommended at this stage. However, dialogue will continue to be held with PLMS on their future plans for the site, in particular how the tenant will ensure investment in the asset is secured to safeguard any financial risk to the Council of dilapidations and ensure the preservation of the asset.
- Whilst both of the above represent the conditions under which the Council could have control of the site, neither are viable options for the Council.

4. Report Background

- 4.1. Leisure is a discretionary service for the Council, and whilst in passing the motion councillors signalled strong support for KLV and the benefits it derives for the community, the options can only be considered in terms of the legal ownership documents that underpin the site. Furthermore, the financial position of North Northamptonshire Council has moved on since the motion was passed. Alongside the legal ownership constraints there are a number of cost considerations for the Council associated with any additional involvement with KLV. Therefore the viability of such a proposal must be fully assessed in order that the impact on the Council, where it fits with the overall leisure strategy, the cost to residents of North Northamptonshire as Council Taxpayers, can be understood.
- 4.2. KLV was built in 1991/2 replacing an ageing leisure centre provision in the town, intended to be a regional venue for events, and provide leisure opportunities. It originally contained a leisure pool and a skating rink (replaced with a gym area and a creche) and contains sports halls, conference facilities, meeting rooms, three bars, and the ability to provide a concert venue in the main hall. One of the sports halls was converted into a 500-seat theatre in 2006. Outdoors, there is a beach volleyball facility which replaced an earlier tennis bubble. The leisure space includes 12 badminton courts and 4 squash courts, but these are multi-functional spaces usable for other sports. England Volleyball have their national training centre located at KLV.
- 4.3. As part of the above development, in 1991 Kettering Borough Council was granted a lease for the KLV site by BQ farms Limited, (the Freeholder), for a term of 125 years at a peppercorn rent. This lease expires in 2116 and restricts use of the site to various leisure activities, conference facility, hotel and theatre. The lease from BQ Farms required the Council to construct a leisure complex on the site within 5 years of the lease completion date, and thereafter to repair and maintain and renew in good and substantial condition. The Council is required to return possession of the site to BQ farms in the state in which the lease requires it to be kept.
- 4.4. In 2000 Kettering Borough Council granted an underlease of KLV to PLMS by way of a co-terminus lease expiring in 2116, at a peppercorn rent. This lease mirrors the permitted use of the Council's headlease, and repair obligations to keep the site in good and substantial repair and the requirement to return

possession of the site to BQ farms in the state in which the lease requires it to be kept. Whilst this cascading of responsibilities to the PLMS mitigates the Council from direct repair obligations to their landlord it does not reduce the Council's liability for their repair obligations. The law surrounding dilapidations is complex, and so it is vital the Council continues to proactively engage with PLMS on its obligations. The lease to PLMS also provides positive obligations on the tenant to operate and manage the sports facilities (including the theatre), including the provision to keep the facilities open to the public. These obligations do not include other elements of the building, such as the gym and conferencing facilities.

4.5. The ownership arrangements of the site are detailed below:



4.6. Ownership of the whole site and buildings, by way of the 2000 lease, currently sits with PLMS until 2116, at which point the responsibility reverts to the Council as leaseholder, and subsequently to the freeholder BQ Farms. The Council does not have control of the site as a result of the 2000 lease but given the obligations placed on NNC by their covenants within the 1991 lease, the Council must work proactively with PLMS to mitigate any repair obligations and other lease covenants, thereby avoiding a breach of the Council's covenants.

4.7. There is a management performance arrangement for parts of the site, (sports hall and theatre) which provides grant funding from the Council in return for PLMS undertaking certain services. Consequently, the use is regulated by the lease, planning policy and the Council's monitoring of the management schedule. The services monitored only applies to the sports hall and theatre. They do not include other elements of the building, such as the Balance Health Club/gym, conferencing facilities and soft play area, which the Council has no involvement in.

- 4.8. Due to the requirement in the lease to keep the sports facilities open, the Council provides an annual grant to support the sports facilities as well as a smaller grant for the theatre, in 2023/24 the grant totals £357k. The grant increases annually in accordance with the Retail Price Index.
- 4.9. PLMS granted a sub-underlease of KLV to CCS in 2017 for a term of 15 years, paying a commercial rent, as reflected in the diagram at 4.5. above.
- 4.10. In April 2023, North Northamptonshire Council was made aware that CCS intended to close the KLV site at the end of May 2023, stating that it was no longer financially viable to operate.
- 4.11. The Council values KLV as one of the area's premier leisure venues and is committed to supporting the operator and considering any options to support the ongoing delivery of sport, physical activity, theatre and health services.
- 4.12. Following proactive intervention by the Council's Executive, CCS agreed to continue to manage the site until September 2023, in order to give the Council and PLMS time to find a solution to keep the venue open after September 2023.
- 4.13. As set out in the August 2023 Executive report, legally, the Council has limited management 'step-in' rights to the sports arena and these only arise if the venue closes for a minimum of two days, and does not give the Council control of the premises. However, should the leaseholder then decide to step back in and manage the site again, the Council, if it had stepped in, would have no option but to remove itself from the centre. Therefore, the Council stepping in is not an option.
- 4.14. There are obligations within the sub-underlease that require the sports facilities to remain open, but these are difficult to enforce due to the length of the lease. Consequently, with CCS withdrawing from the sub-lease, PLMS take ultimate responsibility to ensure that the sports facilities remain open.
- 4.15. Since September 2023, PLMS has operated the centre directly with existing staff transferring under TUPE. This was following a two-year concession agreed by the Council to relax the stay open obligations for the sports arena. It is understood PLMS intend to keep the conference facilities closed but will keep this under review. This concession is due to end in September 2025, at which point the lease terms revert to the original obligations. Discussions with PLMS continue to progress in relation to the impact of the lease terms reverting and what if any further requests may be sought from the Council.
- 4.16. It is therefore important for the Council to understand if there are any potential management options for the site. Presently as set out in this report there are no management options available to the Council. Options only arise **if the site comes back into Council control**.
- 4.17. In August 2023 the Executive agreed to receive a comprehensive options appraisal which would set out:

- Current use of the site and draft profit and loss operating figures.
 - The different operating models available, including in-house delivery, procuring alternative leisure providers and community led models, and their relative merits.
 - Opportunities to link the facility with the wider public services need, including public service partners.
 - Any other projected associated costs to the Council
- 4.18. It is not possible to review these options as being currently available to the Council, as set out in this report. However, this report has considered the Options Review in the context of any key risks and implications the Council would be exposed to, and of the Council's statutory and fiduciary responsibilities, should KLV come back into the control of the Council. It is important to note however that these options are reflective of current market conditions, and these would need to be reviewed based on conditions and factors relevant at that time should there be a change in circumstances.
- 4.19. The report does not propose that the Council takes proactive steps, at this time, to take control of the site nor to take on the day to day running of the site, as it is not possible to do so for the reasons set out herein.

5. Issues and Choices

- 5.1. Following the Council motion Max Associates were appointed to undertake the Options Review. The review must be considered in the context of the options not being available at this time for the reasons set out herein. The methodology for completing the review, and the resultant report at Appendix A, comprises:
- Background and current context, including current use of the site;
 - Strategic review of national and local priorities, aligned to the work on the Active Communities Framework and how KLV can contribute to it;
 - Overview of the Council's leisure provision and how KLV fits into this;
 - Current performance review of KLV, benchmarking against industry standards and the current leisure market;
 - How KLV could fit into the wider, longer term management options appraisal being undertaken for all of the Council's leisure provision due to be completed in early 2025;
 - Shorter term considerations for KLV in the context of the longer-term view;
 - The potential management solutions for KLV in the medium term and the advantages and disadvantages and risks associated with each;
 - Estimated financial impact for each management option, against the current operations including potential costs to the Council;
 - An overview of the likely service delivery each option will offer;

- Potential implementation timescales and set up costs.
- 5.2. The options review is based on the Council being in control of the site which at the present time it is not. The options set out within the review are therefore not applicable or available to the Council at this time.
 - 5.3. The Options Review has been considered within the wider strategic context and the development of a wider Leisure Strategic Framework. The Council is currently developing its vision, commitment, and priorities for the future of Leisure Services for North Northamptonshire and has undertaken a series of engagement workshops with the community, national governing bodies for sport, local sports clubs, schools, facility users, stakeholders and the wider community to ensure that everyone has been able to contribute to this important piece of work.
 - 5.4. A robust supply and demand report is being undertaken to identify the facilities currently available for community use, whether there is any shortfall or overprovision and investigating future opportunities there are to improve and invest in leisure across North Northamptonshire.
 - 5.5. This work will help inform the development of the Council's Active Communities Framework which will have Leisure facilities and Playing Pitch Strategies forming key elements to this work. This work is anticipated to be completed by March 2025. The proposed business case regarding KLV will inform the Active Communities Framework.
 - 5.6. As part of the Active Communities Framework, Max Associates will be completing a management options appraisal for the whole of the Council's leisure centre portfolio. This piece of work will report in the early part of 2025.
 - 5.7. Following the Council being informed on 27th April 2023 of the intention to close KLV and, given the importance of finding a solution that avoided the closure, the Executive and Council Officers at that time, worked proactively with both CCS and PLMS, along with other stakeholders, to broker a temporary solution. Between the date of the Council motion being passed on 22nd June 2023, and the report being brought to Executive in August 2023, an in-principal solution between all parties was agreed.
 - 5.8. That solution saw CCS surrender their sub-underlease to PLMS at the end of August 2023, after a two-month handover period. PLMS have since then been operating KLV, in accordance with the terms of their lease with the Council.
 - 5.9. To enable the above transfer and to support PLMS stepping in to operate KLV and reduce the likelihood of its closure, the Council agreed to a two-year temporary amendment of the obligation on PLMS to use best endeavours to stay open, requiring PLMS to use reasonable endeavours to keep the sporting facilities open.
 - 5.10. In practice this change means PLMS need to take all reasonable steps available to it to keep the sporting facilities open but would not be expected to sacrifice its

commercial interests in doing so. This is a standard that is agreed in most commercial leases in respect of the obligations on our tenants, and a typical expectation of a Court. The concession is personal to the PLMS (i.e. it cannot be assigned to another party) and so is satisfactory in terms of best value obligations on the Council. As the concession has revised existing terms, it was agreed under a delegated decision in August 2023. The agreement is binding between the parties, and any further change would require agreement from both parties.

- 5.11. Councillors should note that, despite this obligation being in place, the tenant could choose to close the centre if it is unviable. As set out in paragraph 4.13. above legally, the Council has limited management 'step-in' rights, in this scenario, unless the venue closes for a minimum of two days. However, even in this situation, should the leaseholder then decide to step back in and manage the site again, the Council, if it had stepped in, would have no option but to remove itself from the centre. Therefore, the Council stepping in is not an option under the current lease arrangements.
- 5.12. Whilst the solution outlined in 5.9 and 5.10. above does not permanently secure the future of KLV or prevent its closure, it prevented the immediate closure of the building, and has provided time for the Council's tenant to consider other operators it may wish to work with, and for the Council to undertake the Options Review which is the subject of this report.
- 5.13. The Council is not currently in a position of direct control, such that it can take on the long-term management of KLV, with the site being in control of the Council's tenant PLMS.
- 5.14. The KLV site is run independently as a commercial operation. Taking on the responsibility for running such an enterprise would risk setting a precedent for the Council and would not be financially prudent.
- 5.15. Whilst the Council has limited control over Phoenix assigning the lease in its entirety, it has some control on subletting to another third party. These controls are found in the lease and regulated by landlord and tenant laws. At this time PLMS has not given any indication to the Council that it is considering a sub-let of all or part of the site. Should it do so then the lease allows for assignment to another party and that the Council's consent cannot be unreasonably withheld.
- 5.16. Should the Council obtain control of the site in the short term e.g. through a voluntary surrender of the Phoenix lease, then, as set out in the Options Review, it has the following options for delivery of services in the short term:
 - **Do nothing**
 - **Manage the site and its services in-house:** the services are delivered through direct management of facilities through Council employed frontline staff.

- **Procure an external contractor** (with management contract and services specification, similar to existing arrangements with Freedom Leisure and Places Leisure): the Council would retain strategic control of the service and outcomes via its service specification. The responsibilities of each of the parties are defined within a contract. Specifications are output based, with the contractor providing method statements which form part of the contract, detailing their approach to achieving the specification requirements and performance outcomes.
- **Establish a Local Authority-Controlled Company (LATC)** to manage the site: The Council would establish an 'arm's length' organisation to run the facilities and services on its behalf.

5.17. It is important to recognise that the options set out above are only possible if the Council is in control of the site which presently it is not. It is also possible that the current leaseholder could implement one of the following options, which are outside of the Council's control:

- PLMS decides to continue operating the site beyond the interim agreement and the terms of the lease are re-negotiated. Under this option the Council could look to remove the current management schedule and implement a new Service Level Agreement, which could work in a similar way to existing leisure management contracts it has for other sites it owns. The Council would need to vary the lease to ensure that if there was a breach of the SLA and it was terminated, the lease would also end, otherwise the Council would be in a similar situation with no control over the premises other than enforcing the SLA.
- PLMS walks away from the lease (i.e. goes into administration). It is possible that administrators would surrender the lease to North Northamptonshire Council, however they would be in control of the premises during the period of administration and could decide to assign the lease. The consent of NNC would be required in this situation however this cannot be unreasonably withheld. The Council would also inherit the building in its current condition, which is a risk that the Council would need to manage
- The lease could be sold on by PMLS (assign the lease to another person/company), this cannot be done without the Council's permission, although this is fully qualified, and the Council cannot unreasonably withhold consent.
- The leaseholder could bring in an established leisure operator to run the venue for a rental income (similar to the previous agreement with CCS).

- 5.18 The Council's other leisure management contracts end in 2027/28 and a management options appraisal for these contracts will be completed in the Autumn of 2024. If KLV were to come back into the Council's full control prior to this date, then it would need to be considered alongside the other contracts as part of the wider appraisal.
- 5.19. Consequently, the solutions outlined above in paragraph 5.18. and evaluated in the Options Review, are only available **if the site came back into Council control**.
- 5.20. Should the site come into the Council's control, for each of the options, in-house management, external contractor commissioned by the Council and Local Authority Trading Company an assessment is made in the Options Review against the following criteria:
- Delivery model description and characteristics assessed against ability to deliver local strategic outcomes; quality of service and customer satisfaction; facility management and operational risks; staffing implications and the Council's influence and control;
 - advantages and disadvantages of each model
 - risks associated with each model;
 - revenue impact of each model;
 - timescales and set-up costs for each management model
- 5.21 All three options would result in additional projected operating costs up to £484,000 to the Council, over and above the current £357,362 grant provided. The option that would incur the least additional cost is the procurement of an external contractor, at an estimated £254,857. Councillors should note that these are the projected costs at this time and the actual costs may differ at the time the circumstance arises.
- 5.22. These financial projections are based on the financial information relating to the trading position of Compass (for the current facility mix) and the fact that the site was operating at a trading loss. Financial performance information from PLMS is not yet available given the trading company has only been operating the site since 1st September 2023.
- 5.23. In addition to these extra operating costs the Options Review provides estimated mobilisation costs for each option. An LATC could cost the Council £476,000 to set up. Procurement of an external provider and transferring to in-house delivery will incur internal staff, project and management costs but are likely to be subsumed within existing corporate resources, other than any requirement for additional condition surveys.
- 5.24. None of these additional costs have been budgeted for in 2024-25 given that the Council does not have control of the site. If control was handed to the Council i.e. it had absolutely no choice, even the option to procure an external provider is not financially viable for the Council at this time.

- 5.25. The highest risk would rest with the Council with the option of an in-house delivery model, largely due to higher staffing costs and the least risk with the procurement of an external contractor.
- 5.26. Both procurement of an external contractor and setting up of an LATC will take at least 12 months lead in time. Transferring the site to in-house delivery has the least lead in time at circa 6 months.
- 5.27. The projected costs are based on assumptions made and relevant at the time of presenting this report and are subject to fluctuation. The projected costs also assume continuation of the current facilities in their current form. It is expected that all of the management options above would look to develop the facility and there are opportunities to improve the financial position as a result. However, different operators have varied experience and therefore may recommend a number of different solutions that are not possible to predict at this stage. Consequently, the forecast for the management options is seen as a 'base' position. There are opportunities to grow the conferencing and events side of the business again and, for example, to improve and re-open the children's soft play facility.
- 5.28. The timescales and set up costs outlined above are also based on the Council having sufficient notice to undertake standard procurement procedures for a short-term solution that would then tie into the end date of the other Council leisure contracts (2027/28).
- 5.29. The Options Review also details the solutions open to the Council should PLMS choose to surrender or sell the lease with a limited notice period and the Council therefore requires a quick management solution to avoid any site closures. These options are:
- **Do Nothing**
 - The Council **directly manages the service**
 - The Council makes a direct award to an **operator to manage the service** for a short-term period (2-3 years), whilst the Council assesses and agrees the long-term management solution and, if applicable, procures a new operator.
- 5.30. The strengths, weaknesses and risks of the in-house and external contractor options identified in sections 6 and 9 of the Options Review still apply under the emergency arrangement. However, with the external contractor taking the contract on at short notice, it is likely that the commercial terms and conditions would be on an open book basis with the fees including a 'management fee' and 'support service' cost in the region of 8% - 10% of turnover. Therefore, more risk would stay with the Council compared to the contract award goes through a full procurement process.
- 5.31. Informal, confidential, generic operator feedback on other contracts has indicated that there are organisations who have the capacity to take on a short-term contract at short notice.

5.32. If KLV were to come under Council control, then the longer-term management model should be reviewed alongside the Council's other leisure facilities. The reasons for this are:

- The Council can ensure the services are delivered across the whole portfolio to a set of minimum requirements;
- Greater economies of scale can be achieved with a larger contract should the decision be for an out-sourced model;
- Consistency in quality-of-service delivery across all leisure venues in the Council area, should an in-house model be chosen.
- Programming can be developed that maximises capacity and use across all centres;
- Pricing will be consistent across all centres, maximising accessibility;
- The Council can ensure investment is consistent across all leisure venues.

5.33. This piece of work will also consider other longer term management solutions for KLV, such as Community Asset Transfer or long lease. This is a similar arrangement to the current arrangement, however any future lease would be structured differently and be coterminous with a service contract with greater influence on areas such as community outcomes.

5.34. It should also be noted that PLMS are determined and are working extremely hard to rebuild the business at KLV. This has resulted in over £250,000 of capital investment in the site over recent months which has included:

- Replacement of 30 fire doors and major repairs to existing doors;
- Repaired and replaced all faulty smoke dampers;
- New scoreboard installed for sports hall;
- Investment in new gym equipment and refurbishment for the Balance Health Club

6. Next Steps

6.1. Officers will continue to work with PLMS to ensure KLV remains open and providing valuable services to local communities.

7. Implications (including financial implications)

7.1. Resources, Financial and Transformation

7.1.1. The original underlease committed the Council to make an annual contribution towards the cost of operation, promotion and management of the sports

facilities, at that time at a cost of £153,777, and has been adjusted each year to reflect inflation.

7.1.2. The Council currently pays in excess of £300,000 per annum (£328k forecast for 2023/24) towards the Sports Facilities and £30,000 towards the theatre.

7.1.3. In order to understand the financial impact of each management model set out in the Options Review, there are key areas where income/expenditure differs that can be assessed with confidence, these include:

- Each model needs further assessment in relation to the Medium-Term Financial Plan, the impact on revenue and capital budgets;
- VAT relief and irrecoverable VAT;
- Business rates (NNDR) relief;
- Staffing terms and conditions;
- Central cost allocations;
- Profit/surplus;
- Commerciality on fitness and swimming income.

7.1.4. The potential revenue position of each management model has been based on information provided by operators of the site in confidence. The assumptions made by Max Associates in projecting the potential operating costs for each management model against the current operations are included in Appendix 2 of the Options review.

7.1.5. It is expected that the external contractor will require the lowest Council subsidy., but even this results in additional cost to the Council of £255,000 which is not financially viable for the Council.

7.1.6. Projected Operating Costs for each Management Model are shown below:

	In-House	External Contractor	LATC
Balance (Health & Fitness)	£1,132,608	£1,132,608	£1,132,608
Arena	£316,780	£316,780	£316,780
Theatre	£422,225	£422,225	£422,225
Conference Centre	£680,787	£680,787	£680,787
Total Income	£2,552,400	£2,552,400	£2,552,400
Payroll	£1,276,200	£769,928	£769,928
Management/Admin/Overhead	£109,356	£109,356	£120,292
Cost of Sales	£260,733	£247,696	£260,733
Departmental Costs	£320,591	£320,591	£320,591
Utilities	£816,162	£816,162	£816,162
Business Rates	£169,984	£33,997	£33,997

Insurance	£52,904	£52,904	£52,904
Maintenance	£208,848	£208,848	£208,848
Other Costs - incl. Irrecoverable VAT	£439	£239,434	£239,434
Operational Expenditure	£3,215,217	£2,798,916	£2,822,888
Central Support Costs (HR, finance etc.)	£178,668	£127,620	£255,240
Surplus/Profit	£0	£102,096	£51,048
Total Expenditure	£3,393,885	£3,028,632	£3,129,176
Deficit	£841,485	£476,232	£576,776
NNDR Relief - Cost to Council	£0	£135,987	£135,987
Total Cost to Council	£841,485	£612,219	£712,764
Current Grant Payment	£357,362	£357,362	£357,362
Increased cost to NCC	£484,123	£254,857	£355,402

7.2. Legal and Governance

7.2.1. Whilst the lease granted to PLMS contains a step-in right for the Council to manage the facility, this is only a short-term provision, requiring the sports facility and theatre, to close first, and does not include the rest of the site and does not provide a long-term sustainable option. The Council would not have control of the premises. To take control back PLMS would have to agree a surrender of the lease.

7.2.2. There is a legal framework governing the procedures and principles for the award of public contracts (for goods, works and/or services), which fall within the scope of the rules and exceed specified financial values. Accordingly, the public procurement regime needs to be considered in the options analysis for the future delivery of the facilities.

7.2.3. The Council has a duty of best value and therefore it must ensure that it receives this when considering management options for KLV, both in the short term if it were to obtain control of the site and in the longer term.

7.2.4. Decisions must be rational and reasonable considering all the facts in the case. If a decision is made that does not consider all facts and implications for the local authority, then it will be subject to challenge, legal and/or financial. It is clear from recent well publicised examples of poor governance in local authorities that just because a Council can do something does not mean that it should.

7.2.5 In making decisions Councillors must ensure that they consider the circumstances and relevant information presented to them as decision makers; this supports rational and reasonable decision-making having consideration of

the facts in the case. Where a decision is made that does not consider all facts and implications for the local authority, that decision may be subject to challenge, legal and/or financial. Recent examples of poor governance have highlighted the importance of this in decision making.

7.3. Relevant Policies and Plans

7.3.1. Working towards solutions that keep KLV open in the immediate and longer term support the Council’s corporate plan priorities and key commitments:

- Active and Fulfilled Lives: improve the accessibility and use of leisure culture and sport;
- Thriving Places: strengthen the cultural identity of towns. Villages and rural communities;
- Connected Communities: respect, empower and engage our communities; listen to our communities and give them a greater say in the future of their areas.

7.4. Risk

7.4.1 The risk matrix below highlights some of the key risks that the Council will need to consider in the future management model for KLV. Each risk has been given a red, amber or green rating, based on whether the risk will remain with NNC.

Red – All risk remains with the Council

Amber – Some risk can be transferred, NNC has reduced risk

Green – Risk can be transferred, least risk posed to NNC

Risk to NNC	In-House	LATC	External Contractor
Achieving income projections	All risk with Council	If it fails risk ultimately sits with the Council	Income risk transfers to operator, but in a major event e.g. Covid or energy price increases, operators will seek support from Council
Managing operational expenditure	All risk with Council	If expenditure exceeds projections and financially the LATC fails risk ultimately sits with the Council	Some expenditure risk transfers to operator
Utility tariff	All risk with Council	All risk with Council	All risk with Council – any leisure contract procured would need to have an energy benchmarking clause
Utility consumption	All risk with Council	LATC can take consumption risk although note above risk on expenditure	Operator will take consumption risk for the duration of the contract, if costs

Risk to NNC	In-House	LATC	External Contractor
			change as a result of increased consumption the operator would absorb this cost – this would all need to be covered within the energy benchmarking clause of any contract
Repairs and Maintenance liability	All risk with Council	Likely to take responsibility for day to day maintenance, replacement likely to be Council responsibility	Will take responsibility for day to day maintenance, but would not accept full-repairing lease on older buildings and any replacement would be the Councils responsibility
Long term financial planning	Budget set year on year and may be subject to reductions with changing priorities of council or central government	Typically funding agreed for short term 3-4 years	Whether payable to or from the Council the management fee is guaranteed for the contract period (subject to contract conditions)
Services are delivered in line with strategic priorities	Locally focused and ability to work better across departments, direct control of services	Can set out requirements, outcomes and KPI's within services specification	Can set out requirements, outcomes and KPI's within services specification but typically are more corporate in their approach. Any change in Council priority may have a cost if it significantly changes the original service specification
Pandemic Risk	All risk with Council	Will require specific clauses, with risk remaining with council	Will require specific clauses, with risk remaining with council
Pensions	All risk with Council. Currently no staff are in the LGPS, however any transferring staff would be eligible to transfer into the LGPS.	Will not accept risk associated with LGPS contributions, however no current staff are in the LGPS, therefore limited risk to the Council	Will not accept risk associated with LGPS contributions, however no current staff are in the LGPS, therefore limited risk to the Council

Risk to NNC	In-House	LATC	External Contractor
NNDR	Full NNDR payable, therefore no risk of losing relief	Risk on loss of NNDR likely to remain with Council	Risk on loss of NNDR likely to remain with Council
VAT Relief on income	Leisure income treated as 'non-business' – minimal risk of change	Risk on loss of VAT Relief likely to remain with Council	Risk on loss of VAT Relief likely to remain with Council
Council reputation	Council has full control of service and PR	If unsuccessful it could harm Council reputation	Council has control over service delivery through specification/contract. If they underperform it would cause issues for the council
Staffing Costs	All staff transfer to NNC terms and conditions which will be more expensive. Higher pension contribution rate for all staff.	Staff will remain on current terms and conditions. New staff terms and conditions will be comparable to current, can be more commercial than in-house management but need to be acceptable to the Council	More commercial approach, staff transfer on current terms and conditions, new staff terms and conditions will be comparable to current

- 7.4.2. The failure of leisure providers funded or commissioned by the Council due to rising costs, is already recorded in the Communities and Leisure risk register.
- 7.4.3. The reaction to the announcement by CCS of the proposed closure of KLV during 2023, from site users, stakeholders, businesses and the wider community demonstrated the importance of KLV. As such there is a risk to the reputation of the Council should the site be at renewed risk of closure.
- 7.4.5. The Council is not currently in a position of direct control of the site, such that it can take on the long-term management of KLV, with the site being in control of the Council's tenant PLMS.

7.5. Consultation

7.5.1. Whilst there has not been any formal public consultation into the recommendations in this report, as information remains commercially sensitive, there has been engagement with the KLV Support Group by Max Associates and along with discussions with PLMS strategic managers and site managers at KLV.

7.6. Consideration by Executive

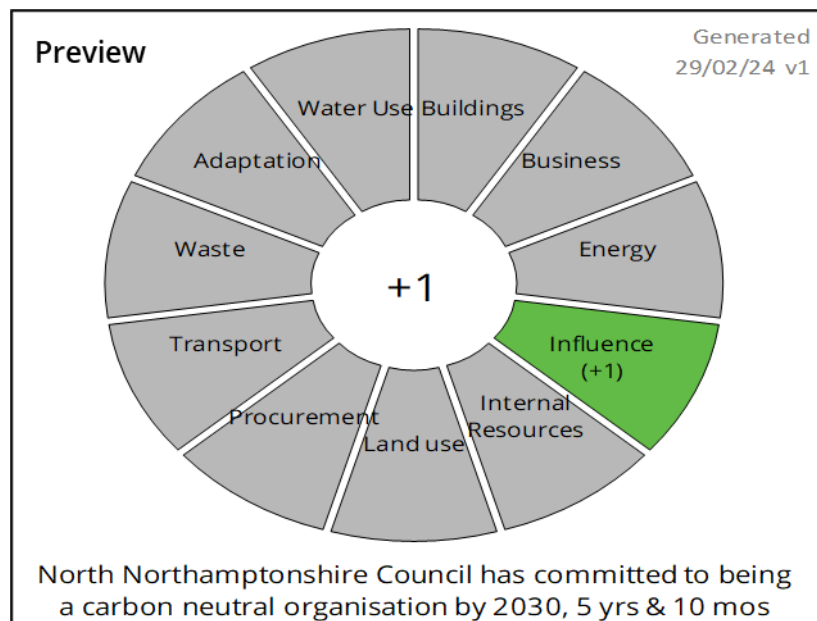
7.6.1. This issue will be considered by the Executive on April 18th 2024.

7.7. Equality Implications

7.7.1. No Equality Assessment has been undertaken as no change to the current lease and operational arrangements at KLV are being recommended at this stage.

7.8. Climate and Environment Impact

7.8.1. A climate change impact assessment has been undertaken and a positive benefit from influence the Council has through communication and engagement with the current site operators / leaseholders influence on their energy and building efficiency can be brought to bear through routine grant monitoring arrangements.



7.9. Community Impact

7.9.1. The community support for KLV was evident in the volume of correspondence the Council received as a result of the threat of closure in 2023. Comments received highlighted the impact closure would have on physical health, mental health and wellbeing of users, and particularly residents who are less able,

elderly and recovering from illness or injury; and on the local economy which benefits from visitors to the theatre and the wider site.

7.9.2. The agreed interim solution which has kept the site open has had a positive impact on these issues, and finding a longer-term solution would fully address them.

7.9.3. The site will only continue to grow as a viable business if it is well-used by local residents, visitors and the wider North Northamptonshire community.

7.10. Crime and Disorder Impact

None identified.

8. Background Papers

8.1 [Report to the Executive – the Future of Kettering Leisure Village - 3 August 2023 \(Minute 473 refers\).](#)



KETTERING LEISURE VILLAGE Options Review - DRAFT

2024



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1. Background and Context

1.1. Ownership and Management

- 1.1.1. Kettering Leisure Village (KLV) is leased from the landowner (Boughton Farming Ltd) by North Northamptonshire Council (NNC), in an arrangement inherited from the former Kettering Borough Council. Phoenix Leisure Management have a 116-year lease with North Northamptonshire (93 years remaining) for the site. There is a management performance arrangement for part of the site, which provides grant funding in return for the tenant undertaking certain services. Consequently, the use is regulated by the lease, planning policy and the community services monitoring of the management schedule, the services monitored only applies to part of the site.
- 1.1.2. In April 2023, North Northamptonshire Council was made aware that Compass Contract Services (UK) Limited intended to close KLV at the end of May 2023, stating that it was no longer financially viable to operate.
- 1.1.3. Following dialogue with the Council, Compass agreed to continue to manage the site until September 2023, in order to give the Council and Phoenix Leisure Management time to find a solution to keep the venue open after September 2023.
- 1.1.4. Legally, **NNC has limited service management 'step-in' rights**, unless the sports arena part of the venue closed for a minimum of two days. However, should the leaseholder then decide to step back in and manage the site again, the Council, if it had stepped in, would have no option but to remove itself from the centre. Therefore, the Council stepping in is not a long-term solution/option under the current lease arrangements.
- 1.1.5. There are obligations within the sub-underlease that require the sports facilities to remain open, but these are difficult to enforce due to the **length** of the lease. Consequently, with Compass Contract Services withdrawing from the sub-lease, Phoenix Leisure Management take ultimate responsibility to ensure that the sports facilities remain open.
- 1.1.6. Due to the requirement to keep the sports facilities open, **NNC provide an annual grant** to support the sports facilities as well as a smaller grant for the theatre, in 2023/24 the grant totals £357k.
- 1.1.7. Since September 2023, PLMS has operated the centre directly with existing staff transferring under TUPE. This was following two-year concession agreed by the Council with respect relaxing the stay open obligations for the sports arena. It is understood PLMS intend to keep the conference facilities closed but will keep this under review. This concession is due to end in September 2025, at which point the lease terms revert to the original obligations.
- 1.1.8. As part of the agreement of Phoenix Leisure Management taking on operations, they plan to keep the conference facilities closed. There is some recourse in the lease to keep it open, however, relaxed under the two-year concession and in any event enforcement is protracted and a costly option for the Council.
- 1.1.9. It is understood that Phoenix Leisure will manage KLV directly for the next two years. The overarching company, Phoenix Leisure, is not a leisure specialist but an investment firm whose Directors' responsibility is to return value to shareholders.
- 1.1.10. It is therefore important for the Council to understand the potential management options for the site should the site come back into Council control. The purpose of this report is to consider these options.
- 1.1.11. For the Council to have control over the centre and services delivered from it, legal and assets would need to confirm the full range of options to the Council and negotiations are ongoing. One option may be a surrender, negotiated between Phoenix Leisure and the Council.

1.1.12. The Council has limited control over Phoenix assigning the lease in its entirety, but some control on subletting to another third party. These controls are found in the lease and regulated by landlord and tenant laws.

1.1.13. Should the Council obtain control of the site e.g. a surrender of the Phoenix lease, then it has the following options for delivery of services in the short term:

- Manage the venue in-house
- Procure an external contractor (with management contract and services specification, similar to existing arrangements with Freedom Leisure and Places Leisure)
- Establish a local authority-controlled company to manage the site

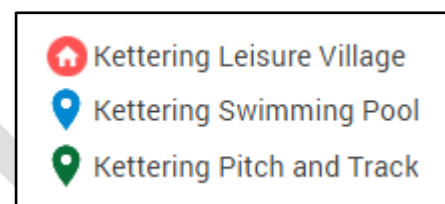
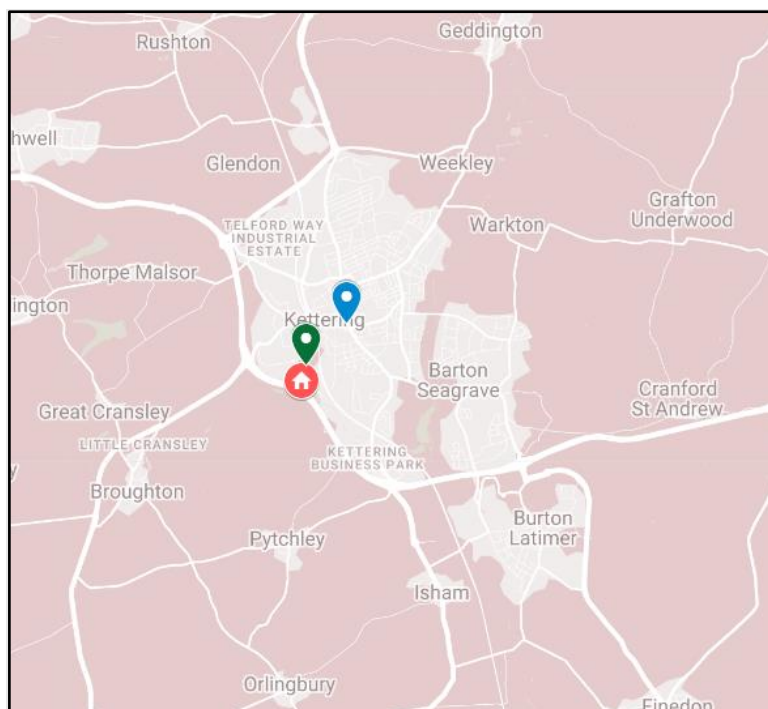
1.1.14. It is important to recognise that the options set out above are only possible if the Council is in control of the site. It is possible that the current leaseholder could implement one of the following options, which are outside of the Council's control:

- Phoenix Leisure decides to continue operating the site beyond the interim agreement and the terms of the lease are re-negotiated. Under this option the Council could look to remove the current management schedule and implement a Service Level Agreement, which could work in a similar way to existing leisure management contracts it has for other sites it owns.
- The leaseholder walks away from the lease (goes into administration) – It is likely in this scenario that the lease would revert back to North Northamptonshire Council, however there is a possibility administrators could put the lease up for sale. The Council would also inherit the building in its current condition, which is a risk that the Council would need to manage.
- The lease could be sold on (assign the lease to another person/company) – this can be done without the Council's permission.
- The leaseholder could bring in an established operator to run the venue for a rental income (similar to the previous Compass arrangement).

1.2. Location and Facility Mix

1.2.1. KLV is situated to the south of Kettering town centre. It is well placed with easy access to Junction 8 of the A14 as well as being surrounded by residential areas. It is opposite Kettering Pitch and Track and is in close proximity to primary and secondary schools. Kettering Golf Club is located on the other side of the A14 to KLV.

Map 1 – Kettering Leisure Village Location



1.2.2. KLV has an extensive facility mix, set out in the table below.

Table 1 – KLV Facility Mix

Facility Area	Facility Mix
Sports Facilities – Fitness (Balance Health Club)	Gym 2 x Studios Spin Studio Swimming Pool – 12m x 10m Jacuzzi, sauna and steam room
Sports Facilities - Other	Sports Hall – 12 courts 4 squash courts (glass-backed)
Lighthouse Theatre	567 seat main auditorium 5 x dressing rooms separate reception area (shared with conference facilities)
Conference (currently closed)	9 x conference rooms Separate reception area (shared with theatre)
Outdoor	2 x beach volleyball courts
Catering	Sports Lounge and Cafe (Arena) Lighthouse Bar (theatre) Bridge Bar (conference facilities)

1.2.3. It is recognised that there used to be a children’s soft play facility onsite, however this did not re-open after Covid (although the space/facility still exists).

1.2.4. KLV has historically had positive examples of partnership working and co-location with England Volleyball based at the centre and a Covid vaccination centre, prior to Compass withdrawing from the lease there was an NHS Community Midwives Hub based at KLV.

2. Methodology

2.1. To understand potential management options, the financial impact of each option, and where the site sits strategically within Kettering and the wider North Northamptonshire area, the following methodology have been considered.

Figure 1 – Methodology

Background and Context	<ul style="list-style-type: none"> •Site location •Facility Mix •Current lease and management arrangements
Strategic Review	<ul style="list-style-type: none"> •Overview of national strategic priorities •North Northamptonshire Council strategic priorities •How does KLV contribute towards priorities
Overview of KLV	<ul style="list-style-type: none"> •How does KLV fit into the wider leisure portfolio
Current Financial Position	<ul style="list-style-type: none"> •Set out current financial position •Assess sports facility income and expenditure against industry standards •Cost to North Northamptonshire Council
Overview of future Management Solutions	<ul style="list-style-type: none"> •Set out the potential management solutions the Council could consider •Advantages and disadvantages of each
How does KLV fit into wider Management Options for NNC portfolio	<ul style="list-style-type: none"> •Overview of plans for wider management options appraisal •Timelines and how KLV could be incorporated •Short term issues to consider given longer term view
Risk Matrix	<ul style="list-style-type: none"> •Set out the risks associated with each management option
Revenue Impact	<ul style="list-style-type: none"> •We will set out the estimated financial impact of each management option against the current operations including cost to the Council
Service Delivery/Quality Review	<ul style="list-style-type: none"> •Provide an overview of the likely quality of service delivery each management solution will offer
Timescales for Implementation	<ul style="list-style-type: none"> •The timescales for implementing each option will be set out along with estimated set-up/procurement costs
Mobilisation plan for preferred option	<ul style="list-style-type: none"> •For the Council's preferred option we have provided a mobilisation/implementation plan

- 2.2. To provide the evidence required to effectively assess the management options, Max Associates has engaged with Council Officers, external RICS surveyors, the leaseholder, Phoenix Leisure, and the KLV Support Group.

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3. Strategic Review






3.1. The strategic review outlines the key local and national strategic priorities and considers how sport and leisure facilities can contribute towards achieving them.



3.2. National Strategic Priorities

3.2.1. A summary of the key leisure, sports and health related strategies and their respective outcomes/KPIs, such as Sport England and Public Health England (PHE) are outlined below.

3.2.2. Nationally, the narrative is shifting from ‘leisure’, ‘sport’, ‘exercise’ to ‘health’, ‘wellbeing’, ‘prevention’. The role leisure facilities play in supporting health outcomes, through increased levels of physical activity, is widely acknowledged and can contribute towards a much wider agenda.

Table 2 – National Strategies

National Strategy	Vision	Key Priorities
 <p>Department for Culture Media & Sport</p> <p>Get Active: A strategy for the future of sport and physical activity 2023</p>	<p>Our vision is to make sport and physical activity accessible, resilient, fun and fair, for now and the years to come – for the benefit of individuals and the country</p>	<ul style="list-style-type: none"> • Being unapologetically ambitious in making the nation more active, whether in government or in the sport sector • Making sport and physical activity more inclusive and welcoming for all so that everyone can have confidence that there is a place for them in sport • Moving towards a more sustainable sector that is more financially resilient and robust
 <p>Sport England Future of Public Sector Leisure Report 2022</p>	<p>We will evolve the sector, transitioning from traditional leisure services into an active wellbeing service</p>	<ul style="list-style-type: none"> • A new approach that formalises the relationship between health and leisure on; social prescribing, co-location, delivery of preventative activity and collaboration through integrated care systems • Provision that is place-based and at the heart of local communities • An approach that brings forward new thinking, products and services requires proactive and skilled leadership • Provision that is low carbon and delivers a step change in carbon emissions at the local authority level
 <p>Uniting the Movement 2021-2031</p>	<p>Imagine a nation of more equal, inclusive and connected communities. A country where people live happier, healthier and more fulfilled lives</p>	<ul style="list-style-type: none"> • Recover and Reinvent; • Connecting Communities; • Positive Experiences for Young Children and Young People; • Connecting with Health & Wellbeing; and, • Active Environments
 <p>Ministry of Housing, Communities & Local Government</p> <p>National Planning Policy Framework Updated 2021</p>	<p>The National Planning Policy Framework (NPPF) sets out the Government’s planning policies for England and how they should be applied including to establish and provide adequate and proper leisure facilities to meet local needs</p>	<p>Promoting Health and Safe Communities – Planning policies and decisions should aim to achieve healthy, inclusive and safe places which;</p> <ul style="list-style-type: none"> • Promote social interaction • Are safe and accessible • Enable and support healthy lifestyles • Open Space and Recreation – Access to a network of high-quality open spaces and opportunities for sport and physical activity • Promoting Sustainable Transport – Transport issues should be considered from the earliest stages of plan-making & development proposals so that; • Opportunities to promote walking, cycling and public transport use are identified and pursued
 <p>Public Health England</p>	<p>Our vision for 2025</p> <ul style="list-style-type: none"> • Lower smoking rates 	<ul style="list-style-type: none"> • Take steps towards creating a smoke-free society by 2030; • Help make the healthy choice the easy choice to improve diets and reduce rates of childhood obesity;

National Strategy	Vision	Key Priorities
<p>PHE Strategy 2020-2025</p>	<ul style="list-style-type: none"> • Less sugar, calories and salt in the food eaten every day • Less pollution in the air that we breathe • Measurable improvements in mental health • Improved mental health literacy 	<ul style="list-style-type: none"> • Develop and share advice on how best to reduce air pollution levels and people’s exposure to polluted air; and • Promote good mental health and contribute to the prevention of mental illness
 <p>Department for Transport</p> <p>Gear Change “A bold vision for cycling and walking” 2020</p>	<p>England will be a great walking and cycling nation. Places will be truly walkable. A travel revolution in our streets, towns and communities will have made cycling a mass form of transit. Cycling and walking will be the natural first choice for many journeys with half of all journeys in towns and cities being cycled or walked by 2030</p>	<ul style="list-style-type: none"> • Community Growth • Technical Development • Performance Pathway • Progressive Events • Member Engagement and Experience • Operational Excellence
 <p>BMA Get Moving Report 2019</p>	<p>Policy recommendations across four core parts of people’s lives; (travel, leisure, school and work) which government and policymakers should take to increase physical activity levels across the UK</p>	<ul style="list-style-type: none"> • Travel (increased investment in active travel); • Leisure (access to open spaces and recreation facilities); • School (physical education recognised and protected as an essential part of the school curriculum); and, • Work (encourage active travel)

3.3. Local Strategic Priorities

3.3.1. The figure below outlines the key strategic documents and plans within North Northamptonshire and Northamptonshire, which the leisure facilities and services provided and supported by North Northamptonshire Council have a responsibility to contribute towards.

3.3.2. It is noted that there is also a North Northamptonshire Health & Wellbeing Strategy in development, that will be an important strategy to consider within future leisure provision.

Figure 2 – Local Strategies



3.3.3. The table below highlights the key priorities from these local strategies.

Table 3 – Local Strategies

Strategy	Vision	Key Priorities
<p>North Northamptonshire Joint Core Strategy</p>	<p>By 2031, North Northamptonshire will be a showpiece for modern green living and well managed sustainable development: a resilient area where local choices have increased the ability to adapt to the impacts of climate change and to global economic changes.</p> <p>North Northamptonshire will be outward looking, taking advantage of its excellent strategic transport connectivity to be a nationally important growth area and focus for inward investment. Plan led change will have made North A strong focus on growing investment in tourism, leisure and green infrastructure will be balanced with the protection and enhancement of the area’s landscape character and its valuable built and natural environment.</p>	<ul style="list-style-type: none"> ● Health and wellbeing – reducing health inequality, increasing life expectancy promoting social inclusion, sport and recreation and providing more access to healthy lifestyle options to improve health and wellbeing; ● Education and skills – raising skills levels to ensure that workers have the right skills for a changing economy, addressing the skills shortage for 16-25 year olds through work based learning; ● Ensuring economic prosperity – ensuring the availability of relevant and appropriate business skills and training opportunities; providing high quality infrastructure to support and encourage innovation and growth; build on the unique character and location; ● Environment – encouraging and promoting environmental protection, improving the environmental and visual quality of the area, managing resources effectively, sustainable transport for all; ● Strong and safe communities – reducing and preventing crime as well as the fear of it by tackling violence, anti-social behaviour, re-offending and improving access to services and facilities.
<p>North Northamptonshire Vision 50</p>	<p>A proposed vision for the best life in North Northamptonshire in 2050</p>	<ul style="list-style-type: none"> ● Proud place – A place with clear goals and a plan of how to get there, where people feel inspired and safe. ● Prosperous place – A place full of thriving businesses and a skilled population who can achieve their ambitions. ● Proactive place – A place which understands the issues its people face and how to address them early, so everyone can live the best life
<p>North Northamptonshire Strategic Plan 2022 (in consultation)</p>	<p>It will set out the blueprint of future growth and development in our area over the next two decades, and the framework for the area based or topic-based plans, including potential reviews and updates of the Part 2 Local Plans or Neighbourhood Plans, which compliment it and address other local planning issues in our area</p>	<ul style="list-style-type: none"> ● The spatial vision for North Northamptonshire ● The approach to Levelling Up ● The approach to climate change ● Strategic Development Locations and Opportunities ● Place-making/sustainable environment ● Natural and Historic Environment
<p>North Northamptonshire Greenway Strategy 2023</p>	<p>‘The North Northamptonshire Greenway will be a strategic rural network of safe, largely traffic-free routes suitable for walking, wheeling and cycling, connecting settlements, employment, leisure and tourism destinations across North Northamptonshire and beyond.’</p>	<ul style="list-style-type: none"> ● Enable people to choose to walk, wheel or cycle for a range of trip purposes including school, commuting, every day and leisure trips. ● Deliver an accessible, inclusive active travel network in line with current design standards in terms of coherence, directness, safety, comfort and attractiveness.

Strategy	Vision	Key Priorities
		<ul style="list-style-type: none"> • Help to deliver North Northamptonshire’s Green Infrastructure network including the Ise and Nene Valley Corridors • Improve the tourism offer across North Northamptonshire, with connected market towns, nature reserves and tourism sites and circular routes. • Improve the vitality of North Northamptonshire’s towns, aiding local businesses by improving access for commuters and shoppers. • Provide safe routes to schools. • Provide additional sustainable transport options for residents who don’t own a car.
<p>North Northamptonshire Local Development Scheme 2023-2026</p>	<p>This LDS covers a 3-year period and sets out details of the Development Plan Documents (DPDs) that North Northamptonshire Council intends to produce, and the timetable for their production.</p>	<ul style="list-style-type: none"> • The LDS does not have specific priorities but sets out a timetable for the preparation of planning documents prepared in the local area.
<p>North Northamptonshire Strategic Sports Facilities Framework 2010-2026</p>	<p>This framework produces a set of sports facility priorities for the North Northamptonshire area. A similar strategy has been completed for the remainder of the county in West Northamptonshire. The outcomes of both documents will then fit together to provide a comprehensive set of priorities for strategic facility provision across the county up to 2026.</p>	<ul style="list-style-type: none"> • Influence the Core Spatial Strategy review by providing a comprehensive evidence base • Reflect the priorities set out in emerging Whole Sport Plans; • Plan effectively for the impending Building Schools for the Future (BSF) programme; • Inform the North Northamptonshire Developer Contributions SPD; • Inform other Local Development Framework (LDF) planning documents (such as Site-Specific DPDs and Area Action Plans); • “Make the case” for sport; • Inform/update the North Northamptonshire Programme of Development • (PoD) infrastructure list.
<p>Northamptonshire Integrated Care Board Five-Year Joint Plan 2023-2038</p>	<p>‘We want to work better together to make Northamptonshire a place where people are active, confident and empowered to take personal responsibility for good health and wellbeing, with quality integrated support and services available for them when they need help.’</p>	<ul style="list-style-type: none"> • Improve outcomes in population health and healthcare • Tackle inequalities in outcomes, experience and access • Enhance productivity and value for money • Help the NHS support broader social and economic development
<p>Integrated Care Northamptonshire 2023-2033</p>	<p>“We want to work better together in Northamptonshire to create a place where people and their loved ones are active, confident and empowered to take personal responsibility for good health and wellbeing, with quality integrated support and services available for them if and when they need help.”</p>	<ul style="list-style-type: none"> • The best start in life • Access to the best available education and learning • Opportunity to be fit, well and independent • Employment that keeps them and their families out of poverty • Good housing in places which are clean and green • To feel safe in homes and when out and about • Connected to families and friends • The chance for a fresh start when things go wrong • Access to health and social care when needed

Strategy	Vision	Key Priorities
North Northamptonshire Carbon Management Plan 2022	A plan to be carbon neutral by 2030	<ul style="list-style-type: none"> • Evaluating buildings • Leisure decarbonisation – Heat pumps, solar energy sources and LED lighting
Ise Valley Strategic Plan 2022	“to ensure that the Ise Valley plays a central role in North Northamptonshire’s sustainable and economic prosperity; that its landscape character and sense of place are regarded as equally important as the economy and valued every bit as much as our planned growth.”	<ul style="list-style-type: none"> • Develop a River Ise Linear Park that creates links and pathways for people and wildlife and augments connectivity from Wellingborough through Kettering and to Corby. • Mitigate climate change. Contribute to natural flood management. • Minimise impacts on the catchment and provide net gains for biodiversity. • Improve water quality. • Create new green infrastructure (GI) as well as protect and enhance existing GI. • Seek opportunities to develop sustainable tourism that creates socioeconomic benefits for communities through employment and income-earning opportunities
Move Northamptonshire 2023-2028 (Nsport)	By 2028 healthy active lifestyles will be integral to ALL people’s lives in Northamptonshire, irrespective of background, age, race, gender or geography.”	<ul style="list-style-type: none"> • Integrated offers • Tailored choices • Active Environments • Active ageing • Great communication
Northamptonshire Visitor Economy Strategy 2023 – 2030 (Draft)	Our vision is to build a greater sense of pride across Northamptonshire and drive economic growth by attracting people to visit the county. Through collaborative and creative work across the entire visitor economy, we will provide visitors with compelling reasons to visit and to stay, delivering great times for each and every one. Visitors will leave wishing they had stayed longer and vowing to return.	<ul style="list-style-type: none"> • Visits and Value – Increase the number and value of staying visitors from outside the county and encourage day visits from closer to home. • Great People – Develop local talent into a motivated workforce to fill vacancies, boost standards and increase pride of place. • Better Business – Support our visitor economy businesses to grow and to collaborate locally in order to be able to compete nationally. • Inspirational Places – Attract investors to help deliver the further development of this unique, diverse and contemporary offer.

Strategic Review – What does this mean for the future of KLV?

Leisure facilities play an important role in providing opportunities for residents to be physically active and participate in health & wellbeing activities.

Increasing physical activity levels will contribute towards a range of local priorities including reducing health inequalities, improving quality of life, supporting healthy lifestyles, connecting communities and active aging to name a few.

There are strong correlations between national and local strategic priorities, therefore if the leisure facilities can contribute towards local objectives they will, in turn, contribute towards the national priorities for leisure, health and wellbeing.

KLV has, and continues to contribute towards, a number of strategic priorities, for example:

The fitness, pool and dry side leisure facilities help maintain participation rates in physical activity. The social activities and opportunities on site, as part of the sports offer, theatre and conference facilities, all contribute towards improving mental wellbeing and reducing social isolation/loneliness.

KLV provides accessible sports, fitness and health facilities – the venue has excellent disabled and wheelchair access and is a key venue for the England Wheelchair Rugby team.

KLV provides sporting facilities that are not available elsewhere in the local area, providing unique opportunities to be active, such as the beach volleyball courts. This also attracts users from further afield.

The provision of conference, theatre and sport facilities on one site are an excellent example of co-location of facilities to maximise cross-use and promotion opportunities, creating a destination venue that contributes towards visitor economy.

KLV provides employment to local residents, it can offer training and skills development opportunities for its employees.

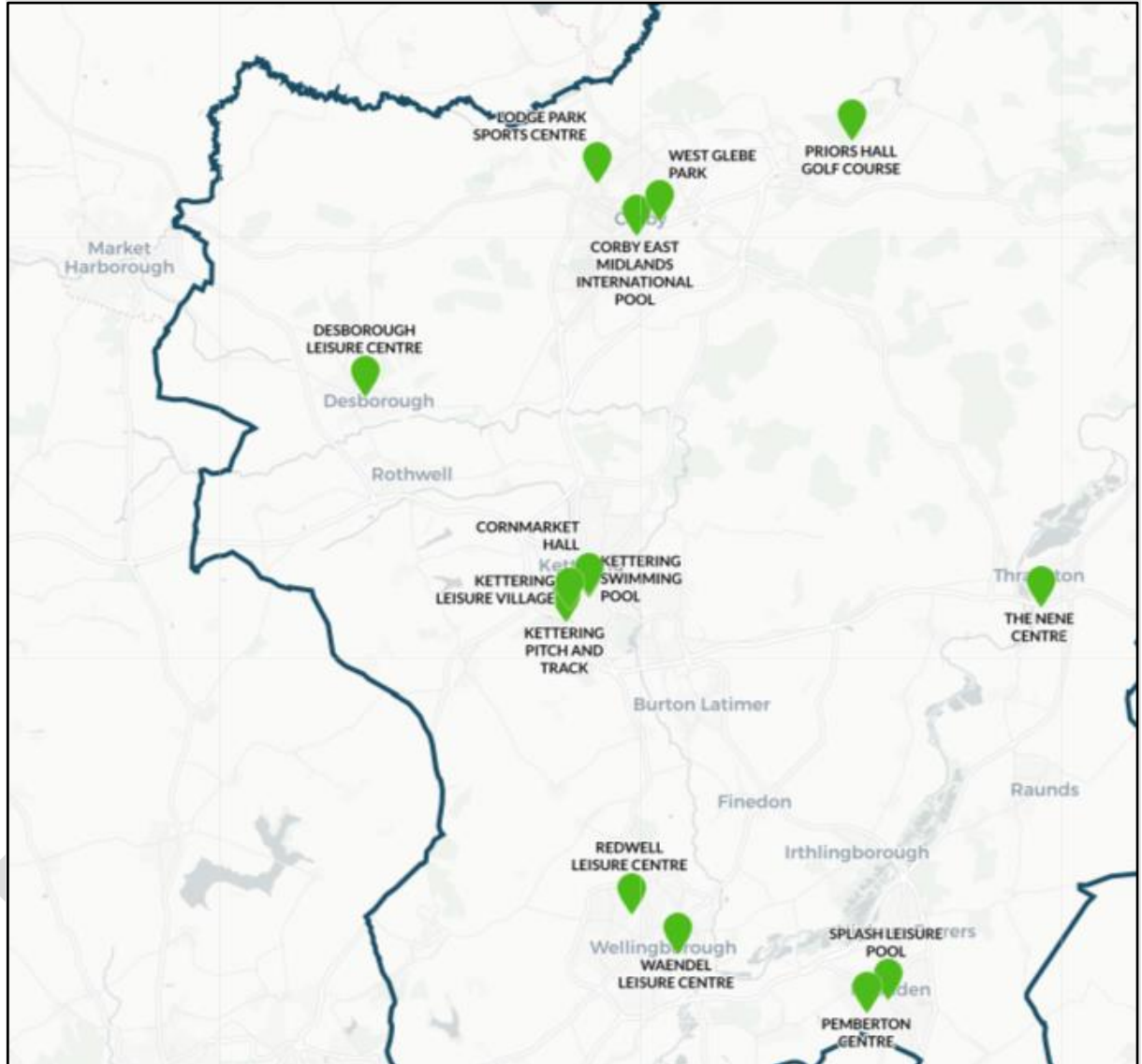
Previous location of health services on site, such as the Community Midwives Hub, was an excellent example of using leisure venues for wider health services, making health services more accessible to local communities.

Integrated offers are a key priority for the Move Northamptonshire strategy.

4. Overview of Leisure Provision in Kettering and the Surrounding Area

- 4.1. The existing Council owned leisure provision in Kettering and the surrounding area is set out in the map below.

Map 2 – Council Owned Leisure Provision



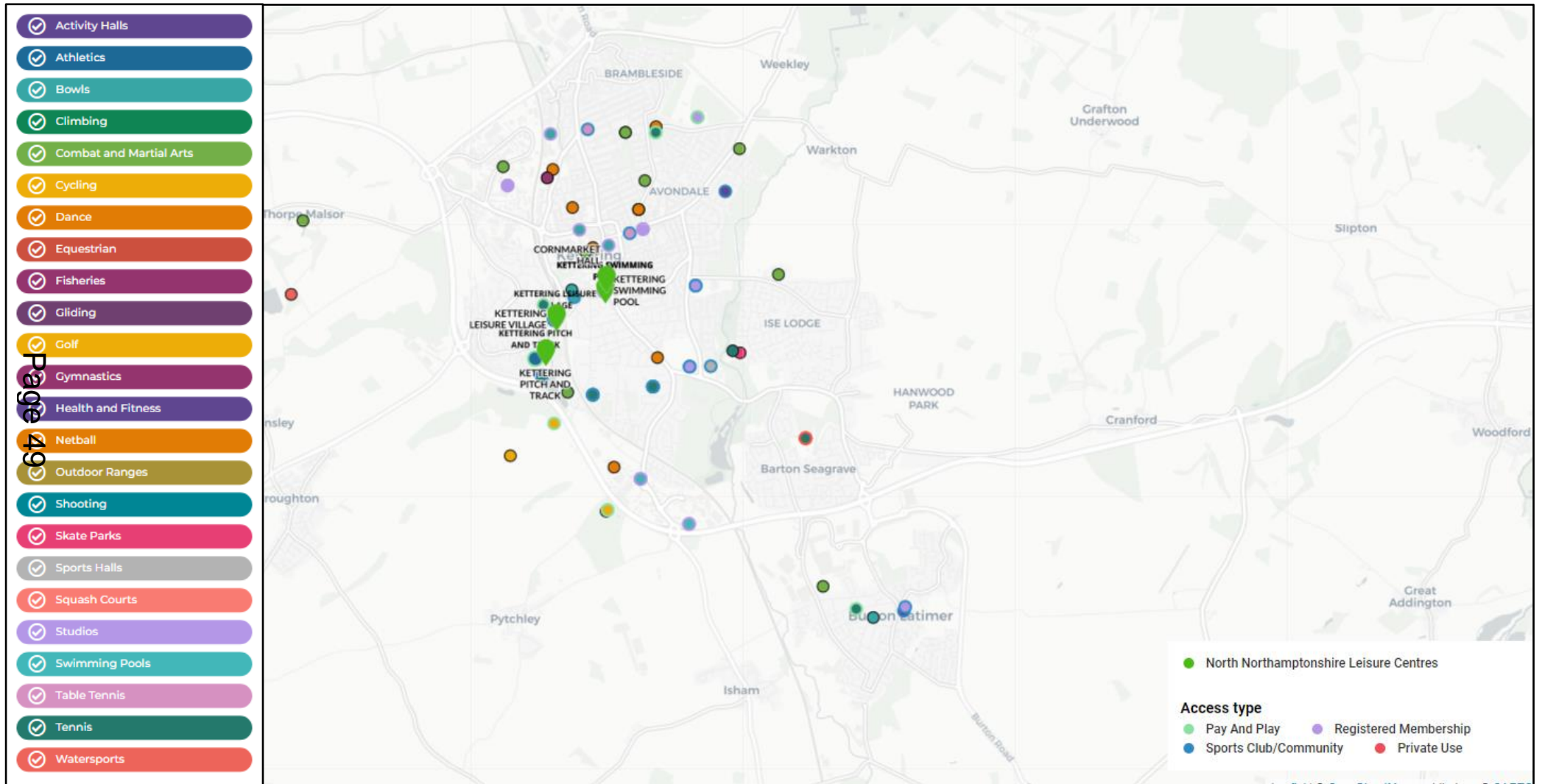
- 4.2. **Kettering Leisure Village** – The site is situated to the south of Kettering town centre. It is well placed with easy access to Junction 8 of the A14 as well as being surrounded by residential areas. It is opposite Kettering Pitch and Track and is in close proximity to primary and secondary schools.

- 4.3. **Kettering Swimming Pool** – Kettering Swimming Pool is located in the town centre and has a 25m six lane pool and 25 station gym. The pool is five minutes’ drive time from KLV. This site is managed by Freedom Leisure under a management contract until 30th September 2027.

- 4.4. **Cornmarket Hall** – Located on the opposite side of the car park to Kettering Swimming Pool, the Cornmarket Hall provides a function room hire and a licensed bar. The main hall can accommodate up to 200 people. Group exercise classes are also delivered at this venue. This site is managed by Freedom Leisure under a management contract until 30th September 2027.
- 4.5. **Kettering Pitch and Track** – Located next to KLV, Kettering Pitch and Track includes an eight lane 400m athletics track and field facilities including long jump, hammer throw, shot put etc. Adjacent to the track is a full-sized floodlit sand-based pitch. This site is managed by Freedom Leisure under a management contract until 30th September 2027, however it is understood that discussions are taking place for Northamptonshire Football Association to take on the management of this site.
- 4.6. **Desborough Leisure Centre** – The centre is located just outside the town centre and is approximately 15 minutes' drive from KLV. The new centre opened in 2014 has a four court sports hall, 30 station gym and a small floodlit artificial grass pitch. This site is managed by Freedom Leisure under a management contract until 30th September 2027. There is also grass pitches and an outdoor skatepark located next to the leisure centre, which is managed by the Town Council.
- 4.7. In addition to the Council owned facilities, there are other private, club and education leisure facilities available as detailed in the map below:
<https://datahubmaps.com/North-Northamptonshire-Facilities/>.

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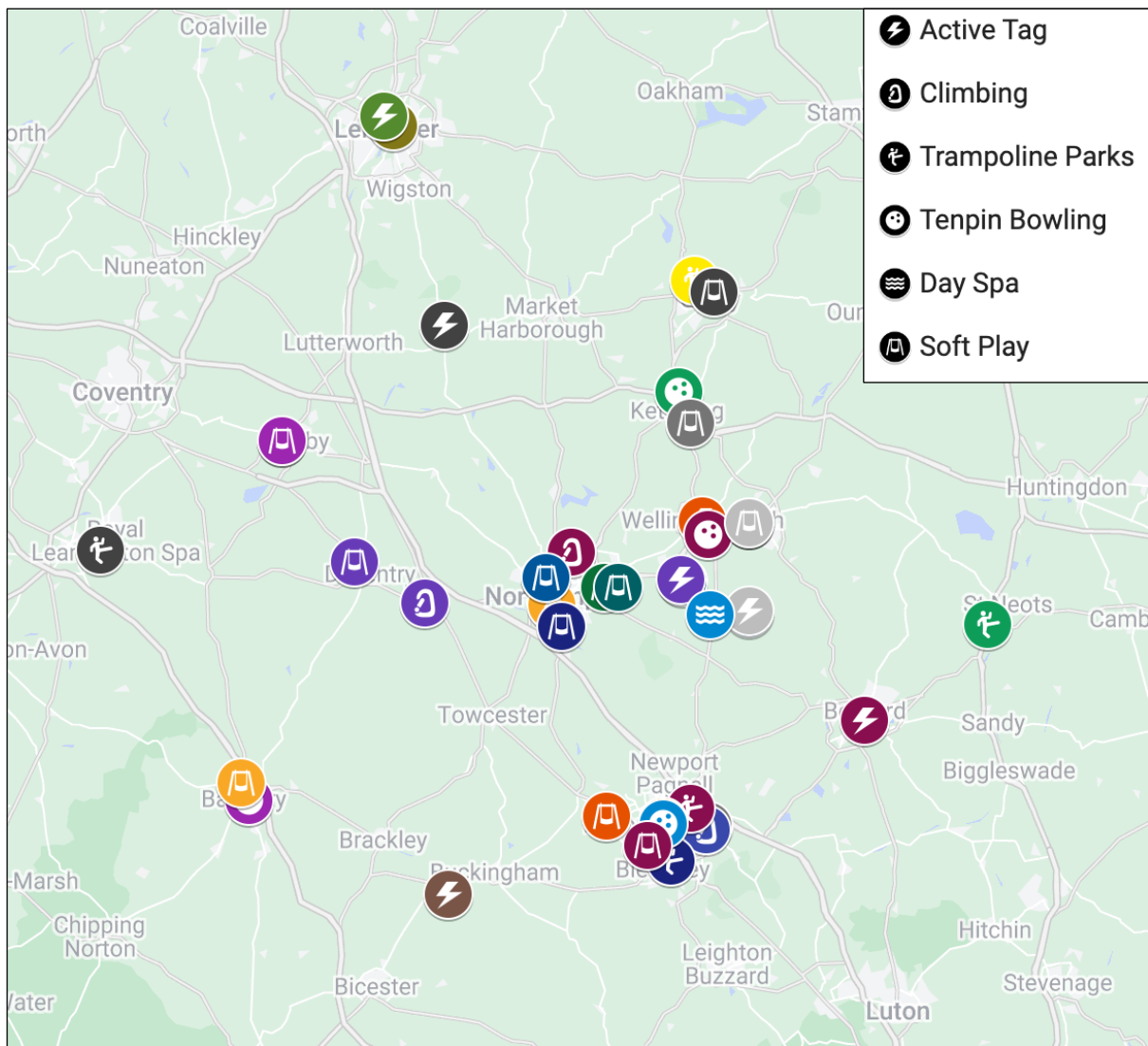
Map 3 – Private, Club and Education Leisure Provision



- 4.8. Within Kettering there is other sports hall provision located within schools, but these are limited to club use only and do not allow casual pay and play activities. The facilities planning model¹ has highlighted that, should KLV sports hall close, there will be a shortfall in sports hall space in the area and across North Northamptonshire demand for sports hall space is highest in Kettering.
- 4.9. There is no other squash provision in Kettering or further afield in Corby.
- 4.10. There are five other private fitness offerings in Kettering, all of which operated on a registered membership basis and a further four based on educational sites, which, typically, are only available for student use.
- 4.11. **Commercial Leisure**
- 4.11.1. When considering the context in which KLV operates, the commercial leisure opportunities in the area should also be considered as venues that will compete for peoples' leisure time. KLV had soft play facilities prior to Covid and understanding the level of competition for this type of facility will help to determine if this would be viable to re-instate or if closing was a sensible decision.
- 4.11.2. The map overleaf highlights that in Kettering there is one soft play facility and one ten pin bowling facility, the majority of commercial provision is located in the Northampton and Wellingborough area. Wickys Play Factory in Kettering is only suitable for children aged eight years old and under. Thunderbowl in Kettering has a 16 lane ten pin bowling facility as well as adventure golf and escape room, this venue will appeal to both primary aged children and teenagers.

¹ Sport England Facilities Planning Model (FPM) spatial modelling tool. The FPM study is a quantitative, accessibility and spatial assessment of the supply, demand and access to sports halls.

Map 4 – Commercial Leisure



4.11.3. Given the size and age restriction of the local soft play competition, it is surprising that the soft play at KLV was not deemed viable. This is believed to be due to the perceived risk post-Covid and lack of understanding within the company in managing this type of facility. If an operator was in place that had experience of managing soft play effectively and efficiently then it is expected that it could be made commercially viable based on level of competition.

4.12. Local Management Arrangements

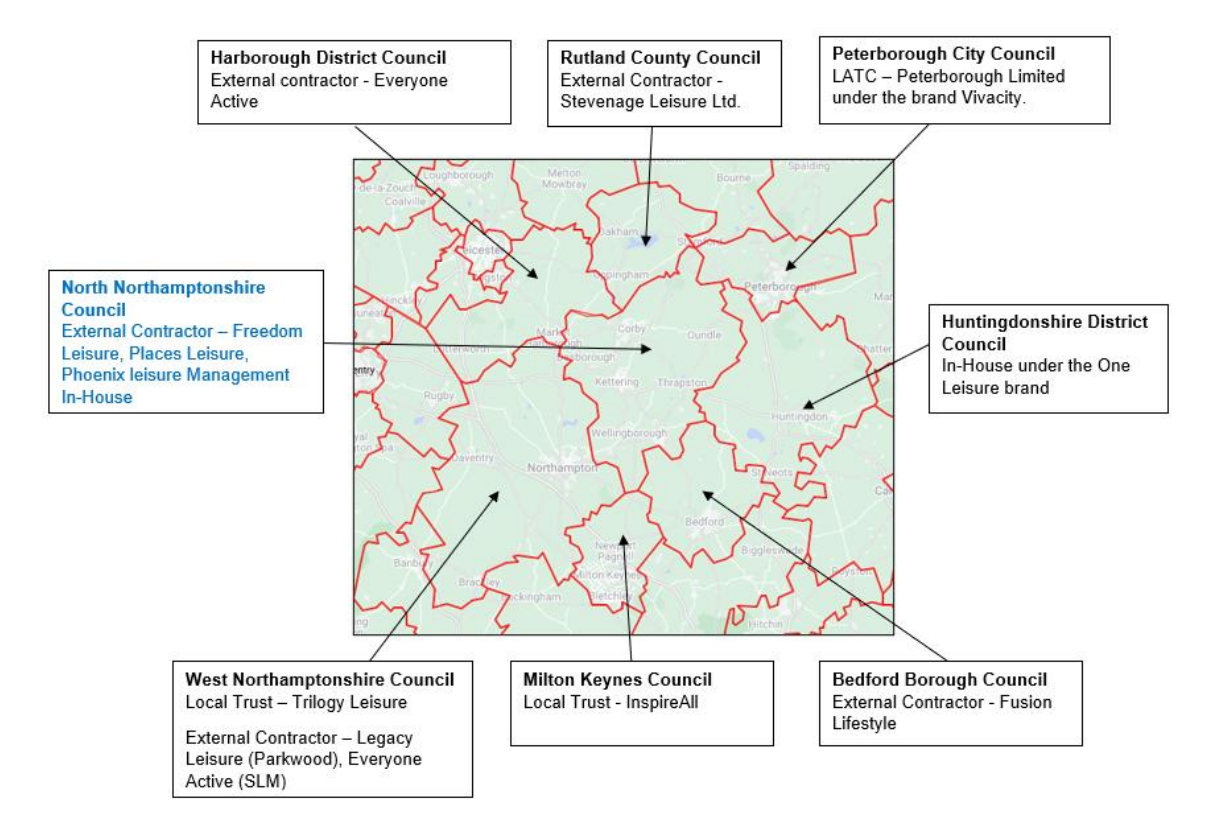
4.12.1. The map overleaf shows the current management arrangements in neighbouring local authorities.

4.12.2. There is currently a mix of models being implemented by surrounding local authorities, which include in-house, local trusts and external contractors.

4.12.3. Like North Northamptonshire, West Northamptonshire currently has a mix of leisure providers as a legacy from the sovereign councils.

- 4.12.4. Peterborough’s leisure facilities used to be managed by a local trust, however, due to financial difficulties during the Covid-19 pandemic the management was transferred to a local authority owned training company (LATC), Peterborough Limited under the brand Vivacity.
- 4.12.5. Huntingdonshire Council is the only surrounding Council to manage all facilities in-house, however, they are currently undertaking a management options review.
- 4.12.6. Given the range of external contractors in the local area, it is reasonable to assume that there would be interest in managing KLV on behalf of North Northamptonshire Council by these operators.

Figure 3 – Neighbouring Local Authorities - Management Arrangements



Kettering Leisure Provision – What does this mean for KLV?

- NNC has three other leisure facilities (managed by Freedom Leisure) within the Kettering area: Kettering Swimming Pool, Kettering Pitch and Track and Desborough Leisure Centre. It also owns the Cornmarket Hall, which provides community space for meetings, events, weddings etc, which forms part of the leisure contract managed by Freedom.
- All of the above are public leisure venues offering facilities and services for local residents, however, the sports hall facilities are considerably smaller than those at KLV, the age of some facilities also make them less accessible, particularly for people with disabilities.
- Whilst NNC lease KLV to Phoenix Leisure Management, the fitness (including pool) is operated on a 'private' member only basis. The sports hall and squash courts are available for casual bookings or block bookings. Whilst there is a covenant on the lease for the sporting facilities (excludes Balance gym) to remain open, there is no service specification or management contract that stipulates minimum service requirements. (There are some management specifications but the enforcement of them is limited to breach of contract, which has a number of legal challenges.)
- KLV has sports facilities that no other public leisure venues in the area offer, including a large sports hall suitable for events and competitions, beach volleyball and glass-backed squash courts.
- KLV already has co-located facilities and excellent examples of working with external partners such as the NHS and National Governing Bodies (England Volleyball) to provide a hub of community services, including health services, culture and events. This is not offered on the same scale at any of the other leisure sites in Kettering.
- Whilst it is not located in the town centre, it is well located in a residential area with easy access off the A14 and has extensive parking facilities.
- There is a mix of leisure management models in place in the local area and therefore we would expect interest in the management of KLV from external operators/trusts based in the surrounding area.
- Other leisure provision outside of Council ownership is primarily sports halls which are based on education sites with limited casual access and private health and fitness facilities.
- There are some commercial leisure facilities in the local area, however, there could be an opportunity to reinstate the soft play at KLV with the right organisation that has experience of commercial leisure facilities. A facility such as soft play should improve the financial position of the centre.
- The type of facilities on offer at KLV attract people from outside the Council area. KLV is a destination venue for events, conferences, theatre shows and sporting events.
- There is an opportunity to develop the conference and events programme and generate additional income.

5. Future Management Options

5.1. If KLV came under Council control in the near future, there are three options that the Council could consider in the short term:

- In-house management;
- External Contractor; and
- Establish a Local Authority Trading Company (LATC).

5.2. The Council's other leisure management contracts end in 2027/28 and a management options appraisal for these contracts will be completed in the Autumn of 2024. If KLV came into the Council's control prior to this date then it would need to be considered alongside the other contracts as part of the wider appraisal. Consequently, the solutions outlined above and evaluated in this report are suitable for a short term solution.

5.3. **Delivery Model Characteristics**

5.3.1. The characteristics for each model are set out below.

5.3.2. **In-house**

5.3.3. The services are delivered through direct management of facilities through frontline staff.

5.3.4. The Council has full responsibility for all income and expenditure risk and is responsible for future lifecycle investment and replacement of equipment. With this model the Council has full control over all aspects of service delivery including pricing, programming and marketing.

5.3.5. 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.

5.3.6. Staff would transfer under TUPE regulations, it is expected that staff would be put on Council terms and conditions where they are more favourable, and all staff would enter into the Local Government Pension Scheme.

5.3.7. Under new VAT Guidance, leisure services are treated as non-business and, therefore, can now benefit from the same VAT relief on income as trust/external contractor models, without irrecoverable VAT costs.

5.3.8. Typically, in-house leisure services have less experience of delivering multiple or large scale investment projects. However, significant investment projects have been successfully delivered in-house in Corby and this expertise remains within North Northamptonshire Council.

5.3.9. The existing in-house provision in North Northamptonshire operates on a commercial basis and drives income, particularly in fitness and swimming, to its potential given restrictions on pricing etc. This goes against the norm of in-house operations, where experience shows that the majority of in-house leisure services are less commercial than other management solutions.

5.3.10. The Council has more control over outreach and health and wellbeing services and is able to work more closely with other services, such as Public Health to deliver programmes that target inactive communities.

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

5.3.12. As the Council already delivers leisure services in-house it has the support structure and operational procedures in place to take on additional services/facilities at short notice, if required.

5.3.13. **External Contractor**

5.3.14. Under this option, the Council would retain strategic control of the service and outcomes via its service specification. The responsibilities of each of the parties are defined within a contract. Specifications are

output based, with the contractor providing method statements which form part of the contract, detailing their approach to achieving the specification requirements and performance outcomes.

- 5.3.15. 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.
- 5.3.16. 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 (Council risk on utility tariffs would be managed through a utility benchmarking schedule), building structure (particularly in ageing facilities), buildings insurance, pension contribution rates and change in law.
- 5.3.17. Contractors typically have experience of delivering multiple and varied leisure centre investment projects.
- 5.3.18. 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.
- 5.3.19. However, it should be noted that whilst NNDR relief can be obtained by external contractors and reflected within their budgets/management fees, there is a cost to the Council of granting this relief. At North Northamptonshire the full cost of rates relief remains with the Council, therefore whilst a leisure operator may be able to obtain relief overall there is not a saving to the Council.
- 5.3.20. These organisations are commercially focussed 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.
- 5.3.21. 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.
- 5.3.22. Staff would transfer under TUPE regulations from the existing operators to any new external contractor. Senior management will normally be based at a head office and not locally.
- 5.3.23. Their focus will be on the whole organisation rather than on local issues. Local issues will be the focus of the contract / regional manager.
- 5.3.24. External contractors, particularly the large organisation operating across the UK, have the resource and ability to take on the management of contracts at short notice.
- 5.3.25. **Local Authority Trading Organisation (LATC)**
- 5.3.26. The Council would establish an 'arm's length' organisation to run the facilities and services on its behalf.
- 5.3.27. LATCs are bodies that are free to operate as external companies but remain wholly owned and controlled by the parent council. As trading bodies, LATCs can provide their services to a wider market than a council department.
- 5.3.28. LATCs are contracted by the parent council to provide services back to the council via a service contract.

5.3.29. However, the council may decide to apply the Teckal² exemption which allows the authority to establish a LATC without the requirement for a procurement exercise. It is based on case law but is codified in the Public Contracts Regulations 2015. In general, the terms of exemption require:

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

5.3.30. A LATC can be set up as not-for-profit, which are able to benefit from similar tax exemption benefits to a Not for Profit Distributing Organisation. However, it would not have charitable status.

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

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² 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.

- 5.3.32. There are many forms which a new organisation could take, including but not limited to the following:
- Co-operative or Community Benefit Society;
 - Company Limited by Guarantee (CLG);
 - Charitable Incorporated Organisation (CIO);
 - Community Interest Company (CIC);

5.3.33. A summary of the options to transfer services to a new corporate vehicle is included at [Appendix 1](#).

5.4. **Advantages & Disadvantages**

5.4.1. The advantages and disadvantages of each option are further outlined in Table 4 overleaf. The table shows the industry position on the advantages and disadvantages of each management model.

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Option	Financial	Quality	Risks & Other Considerations
	<ul style="list-style-type: none"> 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 The Council will need to continue to invest in the leisure centres and have its own maintenance/lifecycle cost to meet the Councils obligations under the contract 	<ul style="list-style-type: none"> If there are financial difficulties in the contract, then other services such as outreach work are typically the services to be reduced/removed first Experience in the North Northamptonshire contracts has shown repairs and maintenance expenditure reduced to manage financial budgets, which in turn has impact customer experience and Net Promoter Scores It can be harder to work with other partners effectively; other council departments, education, active partnerships etc. 	<ul style="list-style-type: none"> Timescales – c.12 months including mobilisation and dependent on procurement route. The Council would need to ensure financial viability was assessed and evaluated as part of any tender process. This will ensure services are deliverable at the required quality standards within the management fees proposed, to minimise the risk of operators seeking further financial support throughout the contract period.
Option	Financial	Quality	
LATC	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> The Council could support the LATC in respect of investment opportunities in relation to prudential borrowing etc. if this option is available to the Council. 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) All profits are re-invested back into the services / facilities, ensuring local investment 	<ul style="list-style-type: none"> LATCs can deliver a wider range of service offerings including sports development/outreach, health interventions, library services, cultural services and special events Closer links with the community through local organisation Single focus on service delivery Staff feel more involved in the service delivery as not part of a large organisation Set up and deliver community led co-produced programmes to have 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 Can be 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 understood, or it is believed that contract terms are more easily varied (for example to meet council budget requirements) In many cases, funding agreements for LATCs are only agreed for the short term: 3-4 years, so the company operates on a short-term basis, which can be detrimental to the service Reputational impact for the Council if organisation not successful The local authority must control all of the shares in the LATC and must also exercise effective day-to-day control over its affairs; in other words, the same as the relationship between the local authority and one of its internal directorates
	Disadvantages	Disadvantages	Other Considerations
<ul style="list-style-type: none"> Less able to withstand significant changes in leisure trends 	<ul style="list-style-type: none"> A board of trustees / directors need to be recruited 	<ul style="list-style-type: none"> A new organisation will require a large working capital budget to start the company, the Council may need to grant a rent free period otherwise 	

Option	Financial	Quality	Risks & Other Considerations
	<ul style="list-style-type: none"> • If NNDR relief granted there will be a cost to the Council. • No other contract/sites to absorb poor financial performance • Few economies of scale realised • High central costs may reduce levels of potential surplus • Single-authority LATC's are unable to offer economies of scale and cost management may be more in line with an in-house management approach. • Significant one-off set up costs 	<ul style="list-style-type: none"> • 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 • 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 	<p>find additional funding to support the organisation by providing a contingency/cashflow fund for the new organisation</p> <ul style="list-style-type: none"> • There will need to be suitable lease / contract / funding agreement / services specification set up between the new organisation and the council • Timescales – c.12 months
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 60</p>	Advantages	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 • The Council has experience of managing large scale investment projects • Potential access to Developer contributions to invest in facilities • In-house teams are able to secure and support external commissions from partners such as Public Health. The existing team has been very successful in securing funding for the delivery of health programmes and initiatives. • Benefit from new VAT guidance treating leisure services as 'non-business' with no irrecoverable VAT costs. 	<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 • In-house teams can deliver a wider range of service offerings including sports development/outreach, health interventions, library services, cultural services and special events 	<ul style="list-style-type: none"> • The current revenue and capital budgets do not factor in the costs of running this centre, the council would need to consider where the finances were coming from. • All control and risk sits with the Council
	Disadvantages	Disadvantages	Other Considerations

Option	Financial	Quality	Risks & Other Considerations
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 61</p>	<ul style="list-style-type: none"> Higher staffing costs due to Council terms and conditions Increased costs due to staff being able to access the LGPS Additional resource may be required within the Council to support the initial transfer of the site e.g., HR and finance 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 delivery, rather than reflecting actual costs incurred by the leisure centres. Limited access to the benefits of economies of scale compared to a UK-wide operator Cost management can be inhibited by having to use local authority systems and reporting No 'sinking' fund in place for future lifecycle building works and equipment replacement. However, a capital programme could be developed by the Council 	<ul style="list-style-type: none"> Limited access to the benefits of economies of scale Without a defined specification, service delivery can sometimes be based upon short term priorities, however, the Council can implement a specification/contract that provides outcomes and targets to deliver against over an agreed period. It is noted the Council already has a robust monitoring and report procedures in place. Officers must use council procedures / contracts in areas that are not as effective / suitable for the services, for example recruitment / ICT / marketing and branding The Council can be slower to implement change and is less able to react quickly to a highly competitive leisure market if decisions need to go through Council decision making processes Typically in-house operations are not required to report on outputs and key performance indicators, however, the Council could implement a performance reporting requirement for the in-house services. 	<ul style="list-style-type: none"> Existing Council team has experience of managing investment projects/programmes Additional resource requirements would need to be considered within property, finance etc. additional revenue may be required to support this. The Council has an existing Leisure Management Team, therefore would not be starting from scratch if management transferred in-house, there is existing resource to support the centre.

6. Current Leisure Management Market

- 6.1. Consultation with the market has been on-going since the start of the Covid-19 pandemic and subsequent lockdowns. There have been a number of procurement processes that have been successfully completed post-Covid using Sport England template documentation.
- 6.2. Currently, operators are busy and there have been numerous procurement opportunities for them in the last 12 months and, in some cases, the busy market has restricted which contracts they have decided to bid for. Therefore, ensuring an attractive contract with a reasonable risk profile will be important in maximising interest in the contract.
- 6.3. Current feedback from the market is that operators would look for Councils to take utility tariff risk, whilst they retain consumption risk. There is an expectation that utility benchmarking would be in place, this is to benchmark the tariff if costs increase because if the tariff increases this cost would fall to the Council and likewise if costs fell because of a reduction in tariff the Council would benefit. Operators are also unlikely to accept a full repairing lease and would require the Council to take responsibility for structure and major plant replacement. They are also seeking pandemic protection clauses within the contract documents.
- 6.4. Following the Covid-19 pandemic, Max Associates has worked with several authorities that have had to find short-term solutions for their leisure centre management, with some needing solutions within a matter of weeks/months. Councils have managed to deliver short term solutions, including direct appointment short term contracts with external operators or bringing services back in-house.

7. Risk Matrix

7.1. The risk matrix below highlights some of the key risks that the Council will need to consider in the future management model for KLV. Each risk has been given a red, amber or green rating, based on whether the risk will remain with NNC.

- Red – All risk remains with the Council
- Amber – Some risk can be transferred, NNC has reduced risk
- Green – Risk can be transferred, least risk posed to NNC

Table 5 – Risk Matrix

Risk to NNC	In-House	LATC	External Contractor
Achieving income projections	All risk with Council	If it fails risk ultimately sits with the Council	Income risk transfers to operator, but in a major event e.g. Covid or energy price increases, operators will seek support from Council
Managing operational expenditure	All risk with Council	If expenditure exceeds projections and financially the LATC fails risk ultimately sits with the Council	Some expenditure risk transfers to operator
Utility tariff	All risk with Council	All risk with Council	All risk with Council – any leisure contract procured would need to have an energy benchmarking clause
Utility consumption	All risk with Council	LATC can take consumption risk although note above risk on expenditure	Operator will take consumption risk for the duration of the contract, if costs change as a result of increased consumption the operator would absorb this cost – this would all need to be covered within the energy benchmarking clause of any contract
Repairs and Maintenance liability	All risk with Council	Likely to take responsibility for day to day maintenance, replacement likely to be Council responsibility	Will take responsibility for day to day maintenance, but would not accept full-repairing lease on older buildings and any replacement would be the Councils responsibility
Long term financial planning	Budget set year on year and may be subject to reductions with changing priorities of council or central government	Typically funding agreed for short term 3-4 years	Whether payable to or from the Council the management fee is guaranteed for the contract period (subject to contract conditions)
Services are delivered in line with strategic priorities	Locally focused and ability to work better across departments, direct control of services	Can set out requirements, outcomes and KPI's within services specification	Can set out requirements, outcomes and KPI's within services specification but typically are more corporate in their approach. Any change in Council priority may have a cost if it significantly changes the original service specification
Pandemic Risk	All risk with Council	Will require specific clauses, with risk remaining with council	Will require specific clauses, with risk remaining with council
Pensions	All risk with Council. Currently no staff are in the LGPS, however any transferring staff would be eligible to transfer into the LGPS.	Will not accept risk associated with LGPS contributions, however no current staff are in the LGPS, therefore limited risk to the Council	Will not accept risk associated with LGPS contributions, however no current staff are in the LGPS, therefore limited risk to the Council

Risk to NNC	In-House	LATC	External Contractor
NNDR	Full NNDR payable, therefore no risk of losing relief	Risk on loss of NNDR likely to remain with Council	Risk on loss of NNDR likely to remain with Council
VAT Relief on income	Leisure income treated as 'non-business' – minimal risk of change	Risk on loss of VAT Relief likely to remain with Council	Risk on loss of VAT Relief likely to remain with Council
Council reputation	Council has full control of service and PR	If unsuccessful it could harm Council reputation	Council has control over service delivery through specification/ contract. If they underperform it would cause issues for the council
Staffing Costs	All staff transfer to NNC terms and conditions which will be more expensive. Higher pension contribution rate for all staff.	Staff will remain on current terms and conditions. New staff terms and conditions will be comparable to current, can be more commercial than in-house management	More commercial approach, staff transfer on current terms and conditions, new staff terms and conditions will be comparable to current

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8. Revenue Impact of each Management Model

- 8.1. In understanding the financial impact of each management model, there are key areas where income/expenditure differs that can be assessed with confidence, these include:
- Each model would need further assessment in relation to the Medium Term Financial Plan, the impact on revenue and capital budgets
 - VAT relief and irrecoverable VAT
 - NNDR relief
 - Staffing terms and conditions
 - Central cost allocations
 - Profit/surplus
 - Commerciality on fitness and swimming income
- 8.2. The potential revenue position of each management model has been based on information provided in confidence.
- 8.3. The assumptions made in projecting the potential operating costs for each management model against the current operations are included in [Appendix 2](#).
- 8.4. As detailed in table 6 of the three management options, it is expected that the external contractor will require the lowest subsidy.
- 8.5. The Council currently provides a grant to Phoenix Leisure of £357,362 for the Sports Arena and Theatre. This grant is excluded from the projections below.
- 8.6. Note these costs exclude any costs associated with negotiating the surrender of the lease.

Table 6 - Projected Operating Costs for each Management Model

	In-House	External Contractor	LATC
Balance (Health & Fitness)	£1,132,608	£1,132,608	£1,132,608
Arena	£316,780	£316,780	£316,780
Theatre	£422,225	£422,225	£422,225
Conference Centre	£680,787	£680,787	£680,787
Total Income	£2,552,400	£2,552,400	£2,552,400
Payroll	£1,276,200	£769,928	£769,928
Management/Admin/Overhead	£109,356	£109,356	£120,292
Cost of Sales	£260,733	£247,696	£260,733
Departmental Costs	£320,591	£320,591	£320,591
Utilities	£816,162	£816,162	£816,162
Business Rates	£169,984	£33,997	£33,997
Insurance	£52,904	£52,904	£52,904
Maintenance	£208,848	£208,848	£208,848
Other Costs - incl. Irrecoverable VAT	£439	£239,434	£239,434
Operational Expenditure	£3,215,217	£2,798,916	£2,822,888
Central Support Costs (HR, finance etc.)	£178,668	£127,620	£255,240
Surplus/Profit	£0	£102,096	£51,048
Total Expenditure	£3,393,885	£3,028,632	£3,129,176
Deficit	£841,485	£476,232	£576,776
NNDR Relief - Cost to Council	£0	£135,987	£135,987
Total Cost to Council	£841,485	£612,219	£712,764
Current Grant Payment	£357,362	£357,362	£357,362
Increased cost to NCC	£484,123	£254,857	£355,402

- 8.7. The costs above assume continuation of the current facilities in their current form. It is expected that all of the management options above would look to develop the facility and there are opportunities to improve the financial position as a result. However, different operators have different experience and therefore may recommend a number of different solutions that are not possible to predict at this stage. Consequently, the above forecast for the management options is seen as a 'base' position. There are opportunities to grow the conferencing and events side of the business again and improve and re-open the children's soft play facility.

8.8. Service Delivery Characteristics of each Management Model

8.8.1. Set out below are the key differences in service delivery and quality for each management option.

Table 7 – Service Delivery Characteristics

	In-House	LATC	External Contractor
Ability to deliver Local Strategic Outcomes	<p>Operating the centre in-house means that joined up work to achieve the Council’s wider strategic objectives would be more achievable than an external contractor arrangement. The management team will be able to work more easily with the other Council departments to ensure all wider strategic working is delivered.</p> <p>Delivering services in-house means that changing priorities can be quickly implemented.</p> <p>The Council can implement existing management plans and reporting systems to ensure it monitors performance against outcomes.</p>	<p>A specification would be in place. Ensuring the organisation is clear what the Council requires both on an annual and longer time frame. The Council can set out targets (outputs) in relation to participation (new users and existing), target groups, programming and sports & health development and outcomes.</p> <p>The Council can implement a performance management system to ensure that the partner records, reports and delivers the required outcomes.</p> <p>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 focused approach compared to an external contractor.</p>	<p>The centre is managed with a specification in place. Ensuring the organisation is clear what the Council requires both on an annual and longer time frame. The Council can set out targets (outputs) in relation to participation (new users and existing), target groups, programming and sports & health development and outcomes.</p> <p>The Council can implement a performance management system to ensure that the partner records, reports and delivers the required outcomes.</p> <p>There will be a concern that services being managed by external organisation to the Council will not consider local stakeholders. However, the specification can be clear in the outputs required and many partnerships have local ‘Stakeholder Boards’ developed to formalise and ensure local input into the production and delivery of services.</p> <p>External organisations have extensive stakeholder and customer engagement strategies, including via their website and social media, on-line surveys, customer and club forums, all of which can be specified within the specifications.</p> <p>Any change to service priorities can be managed through the annual service planning process and contract change procedures. However, this can have explicit financial implications if the changes are business critical.</p> <p>Typically, external contractors are not as strong at delivering bespoke local initiatives as in-house management or local trusts.</p> <p>They have a stronger focus on commercial elements.</p>

	In-House	LATC	External Contractor
Quality of Service and Customer Satisfaction	<p>The Council currently implements robust monitoring and reporting procedures for its in-house operations, including key performance indicators and targets. The monitoring and reporting already incorporates external contractors, including KLV.</p> <p>Skill set of existing staff would transfer.</p> <p>The Council would have full control over the quality of service delivered.</p>	<p>Company profits can be repatriated to Council, invested in the company or a mix of both.</p> <p>Skill set of existing staff would transfer.</p> <p>Branding will need to be established for the LATC, which will be important in the sales process and creating an identity for leisure services.</p> <p>Operational procedures would need to be established and implemented to ensure quality requirements are met, however the Council will have its procedures from the existing in-house operation at the Corby sites it can use as a template.</p> <p>Customer satisfaction KPI's can be incorporated into the specification documents. As part of the specification and contract LATC can be required to collate and report on performance data on a monthly/quarterly/annual basis.</p> <p>More likely to have a local bespoke approach to customer service.</p> <p>A LATC could seek to achieve Quest accreditation as per the external contractor. LATC's can join industry organisations such as Community Leisure UK and access performance and benchmarking data and share best practice ideas.</p> <p>Having the specification requirements for quality and customer service will require the LATC to implement an action/management plan to ensure all of the KPI's are monitored and achieved. Regular client meetings can ensure that the operator has sufficient planning in place</p>	<p>Large operators tend to be weaker at delivering bespoke commissioned health and wellbeing services.</p> <p>External contractors can bring a breadth of leisure experience.</p> <p>Skill set of existing staff would transfer.</p> <p>The levels of service standards in areas that are important to the Council can be tested through the procurement process.</p> <p>Through a robust contractual relationship, the Council can identify continuation improved scores / and KPI's in relation to customer satisfaction scores etc.</p> <p>As part of the specification and contract external contractors are required to collate and report on performance data on a monthly/quarterly/annual basis. External operators have extensive experience of achieve quality awards such as Quest. The Council can set targets for Quest Assessments as part of the performance requirements.</p> <p>External contractors tend to take a corporate approach to customer service losing the 'personal' and bespoke approach that is common with in-house or LATC arrangements.</p> <p>Having the specification requirements for quality and customer service will require the operator to implement an action/management plan to ensure all of the KPI's are monitored and achieved. Regular client meetings can ensure that the operator has sufficient planning in place and the Council can monitor progress against KPI's.</p>

	In-House	LATC	External Contractor
Facility Management/ Operational Risks	<p>Existing staff would transfer who have specific expertise to drive the commercial elements of the business, such as the conference centre and theatre.</p> <p>The repairs and maintenance would be managed through the Council's central team, in addition, redecoration and lifecycle maintenance must compete with other Council priorities.</p> <p>North Northamptonshire Council has brought in services such as those from TA6 to ensure commerciality and to ensure services remain competitive and aligned to industry trends.</p> <p>The Council currently monitor their in-house centres well and we would expect this to transfer to KLV. The Council would need to consider accreditations such as Quest, to verify the quality of service being delivered and that it is offering value to its customers.</p> <p>Any significant decisions or changes to the services will have to go through the Council's approval process, which can be time consuming, although smaller changes can be implemented quickly and efficiently by the management team.</p> <p>Typically in-house operations do not have contract/reporting requirements; however, the Council does implement regular reporting and monitoring requirements for the service to ensure it is delivering against outcomes and KPI's.</p>	<p>and the Council can monitor progress against KPI's.</p> <p>Existing staff would transfer who have specific expertise to drive the commercial elements of the business, such as the conference centre and theatre.</p> <p>New organisations procedures, policies and standards in relation to central services (HR, Finance, VAT, Health and Safety, Maintenance etc.) may take time to become established and there may be risk in the mobilisation / transition period. However, there are a number of organisations that provide specialist health and safety, PR, marketing support etc. and a new LATC could buy in these skills as and when it is required, or it could utilise the Council's support services with a recharge arrangement.</p> <p>A LATC is unlikely to be able to take on full repair and maintenance responsibilities. However, it is likely to be able to take on day to day repair and maintenance responsibilities. The local authority needs to consider how it will monitor maintenance programmes to ensure the operational team is carrying out planned works and to the required standard. Often this can be undertaken by an in-house Property Services team.</p> <p>Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p>	<p>Existing contractors have a wide range of experience across all leisure centre types and therefore can bring this breadth of leisure experience to the contract.</p> <p>Some operators do have experience of managing theatres and other cultural venues, such as town halls and museums.</p> <p>All leisure contractors hold external validated quality accreditation i.e. Quest, Customer Service Excellence, IIP, ISO 14001, EMAS type awards.</p> <p>They tend to have head office resource with dedicated manager for quality, health and safety, HR, environmental management, maintenance etc.</p> <p>Existing staff would transfer who have specific expertise to drive the commercial elements of the business, such as the conference centre and theatre.</p> <p>A performance management system will be put in place with detailed key performance indicators for operators to achieve.</p> <p>Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p> <p>There will be contract monitoring in place with reporting requirements against all outcomes and KPI's. Reporting will take place on a monthly/quarterly and annual basis therefore delivering against KPI's can be carefully monitored.</p> <p>An external contractor will take risk on day to day maintenance but are unlikely to the risk on the building structure and major</p>

	In-House	LATC	External Contractor
	There are expertise within the Councils asset management team that can support the maintenance of large leisure venues.	There will be contract monitoring in place with reporting requirements against all outcomes and KPI's. Reporting will take place on a monthly/quarterly and annual basis therefore delivering against KPI's can be carefully monitored.	lifecycle replacement. They will have expertise within their central support teams on the maintenance of large leisure venues.
Staffing	<p>Scope for progression for employees is limited to within the centre/other Council services.</p> <p>Employees are more likely to be employed from the local area compared to external contractors who can bring in management and regional support from outside of the Council area.</p> <p>Local authorities typically offer enhanced terms and conditions for employees compared to the private sector, whilst beneficial for the workforce this does have additional costs.</p> <p>North Northamptonshire Council has delivered additional training for in-house staff, including for health programmes and have supported existing external contractors in bringing their staff training up to similar standards to ensure delivery across the Council area.</p>	<p>Staff would transfer to the new company under TUPE, with their terms and conditions protected.</p> <p>A new LATC would require central posts that are not currently in place such as a Chief Executive, Finance Director etc.; this results in higher central costs.</p> <p>As a single contract entity scope for progression is limited.</p> <p>The local authority is likely to have to underwrite the pension liability. It is not reasonable to expect the LATC to take on any pension deficits</p> <p>A LATC could offer new joiners their own company terms and conditions, which could result in some staff savings.</p>	<p>Staff will be subject to TUPE so all current terms and conditions would be protected in accordance with legislation.</p> <p>External contractors are likely to offer new joiners their own company terms and conditions, which may vary from the current terms and conditions.</p> <p>External operators will offer training and development for staff specialising in the leisure industry.</p> <p>An established external operator is normally able to offer staff wider career opportunities within the company structure that otherwise would not have been available with a single contract operator.</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>
Council Influence and Control	<p>The Council will be able to exert the most direct control over services through the in-house management option.</p> <p>However, there is typically a limited performance monitoring and reporting requirements.</p>	<p>The specification will set out the Council's priorities in respect to pricing / programming and other elements of service delivery, including quality. As with the external contractor there will be performance monitoring and reporting requirements set out in the specification.</p> <p>An annual service planning element of the specification can ensure that the Council's</p>	<p>The external contractor must deliver against the Council's specification and contract, which can stipulate quality expectations and KPI's to be achieved. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery. The contractor will have to report on performance benchmarks on an annual/quarterly/annual basis.</p>

	In-House	LATC	External Contractor
	<p>The Council currently implements good reporting and monitoring procedures for its in-house service and we would expect this to be rolled out to any other centres that were brought in-house.</p>	<p>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>An outsourced partner will report to its own board of 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>

9. Timescales & Set Up Costs for each Management Model

- 9.1. The timescales and set up costs outlined in this section are based on the Council having sufficient notice to undertake standard procurement procedures for a short term solution that ties into the end date of the other Council leisure contracts (2027/28).
- 9.2. Each alternative delivery model will have a different lead in time to set up. Procuring a new contract will require a new contract, leases and services specification being developed.
- 9.3. A LATC will require similar documentation and the recruitment and appointment of directors. Any new company will require formal registration / company documents, and the recruitment of the senior management team (Chief Executive/Finance Director etc.).
- 9.4. 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.
- 9.5. The table below sets out indicative timescales and costs for each option.

Table 8 – Indicative Implementation Timescales

External Contractor - Procurement	
Action	Timescale
Commission internal and external procurement of legal / procurement / project management support	1 months
Pre-procurement work – (objectives, draft specification / contract, leases and evaluation methods)	1 months
Selective questionnaire stage and evaluation / de-selection	1.5 months
Tender stage (assuming competitive procedure with negotiation procurement route)	6 months
Award and council sign off	1 month
Mobilisation of new operator	3 months
Total (some works streams can be completed in parallel)	c.12 months

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 directors for LATC)	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)	c.12 months

In-House - Transfer	
Action	Timescale
Technical set up – IT / phones / websites etc.	2 months
TUPE and staff consultation / considerations – alignment of staff designations to council structure	3 months
Purchasing of uniform, supplies and equipment	1 months
Setting up on-going suppliers (fitness / IT / buildings etc.)	1 month
Business planning / financial assessment – services and impact on council as a whole	2 months
Marketing and branding development and implementation e.g. signage	4 months
Quality and H&S systems – development and implementation	2 months
Total (some works streams can be completed in parallel)	c.6 months

- 9.6. Outlined below are the indicative set up and ongoing operational cost if a new LATC were established.
- 9.7. A new LATC will be required to establish operational procedures and risk assessments and ensure all staff are trained in these prior to taking on management of the centre. All branding and marketing will also need to be replaced, a website and online booking facilities set up.
- 9.8. 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 the Council.

Table 9 – LATC Indicative Mobilisation Costs

Set Up Costs	Estimated Costs	Comments
Consultancy Support/Project Management	£30,000	Additional consultancy/project management support to ensure the process is delivered within timescales and enable officers to concentrate on continued service delivery
Re-branding, Marketing & Signage	£30,000	The new organisation will need to develop its own name and brand and produce marketing material
Website & Social Media Set Up	£10,000	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 and network support services required
Legal Costs	£40,000	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 organization
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
Launch Costs	£15,000	Costs associated with launching and promoting the start of the new contract
Staffing*	£123,000	See table overleaf for workings
Risk & Contingency	£50,000	To provide a level of working capital for the organisation
TOTAL COST	£353,000	

*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 10 – Indicative Staffing resource for LATC

Staffing	Salary	Salary plus on-costs (20%)	Estimated Cost
6 months prior to commencement:			
Chief Executive	60,000	72,000	36,000
Contract/Centre Manager (Operations)	40,000	48,000	24,000
Head of Finance (part-time)	25,000	30,000	15,000
Branding / Marketing Manager (part-time)	22,500	27,000	13,500
ICT manager (Part-time)	22,500	27,000	13,500
3 months prior to commencement:			
HR Manager - TUPE consultation etc.	45,000	54,000	13,500
Admin (part-time)	15,000	18,000	4,500
1 month prior to commencement:			
Admin team	30,000	36,000	3,000
TOTAL			123,000

9.9. Indicative costs of procurement

9.9.1. The typical costs of procuring a new contract for KLV only are set out below and are likely to be in the region of £80k. However, it is noted that these costs are subsumed centrally and would not be charged to the leisure service (with the exception of any condition surveys) .

Table 11 – New Contract Procurement Costs

Action	Cost £
Legal / leases and contract completion	40,000
Leisure procurement and project management	30,000
Due diligence (for example any additional building surveys required)	10,000
Total	£80,000

9.10. Emergency Management Solution

9.10.1. Should Phoenix Leisure surrender or sell the lease with a limited notice period and the Council requires a quick management solution to avoid any site closures, it would have the following options:

1. The Council **directly manages the service**
2. The Council makes a direct award to an **operator to manage the service** for a short-term period (2-3 years), whilst the Council assesses and agrees the long term management solution and, if applicable, procures a new operator.

- 9.10.2. The strengths, weaknesses and risks of the in-house and external contractor options identified in sections 6 and 9 still apply under the emergency arrangement. However, with the external contractor taking the contract on at short notice, it is likely that the commercial terms and conditions would be on an open book basis with the fees including a 'management fee' and 'support service' cost in the region of 8% - 10% of turnover. Therefore, more risk would stay with the Council compared to when it goes through a full procurement process.
- 9.10.3. An open book arrangement would also require additional resource from the Council to monitor and manage.
- 9.10.4. Informal, confidential, generic operator feedback on other contracts has indicated that there are organisations who have the capacity to take on a short-term contract at short notice.

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10. Long Term Solution for KLV and the Wider Management Options Appraisal

- 10.1. As part of the Active Communities Framework, Max Associates will be completing a management options appraisal for the whole of the Council's leisure centre portfolio. This piece of work will be completed in the latter half of 2024.
- 10.2. If KLV were to come under Council control, then the longer term management model should be reviewed alongside the Council's other leisure facilities in 2024. The reasons for this are:
 - The Council can ensure the services are delivered across the whole portfolio to a set of minimum requirements.
 - Greater economies of scale can be achieved with a larger contract.
 - Consistency in quality of service delivery across all leisure venues in the Council area.
 - Programming can be developed that maximises capacity and use across all centres.
 - Pricing will be consistent across all centres, maximising accessibility.
 - The Council can ensure investment is consistent across all leisure venues.
- 10.3. If KLV is included in the wider management options appraisal it would be evaluated under the same criteria as the rest of the Council's portfolio.
- 10.4. This piece of work will also consider other longer term management solutions, such as Community Asset Transfer or long lease. This is a similar arrangement to the current structure, however any future lease would be structured differently to the current lease with greater influence on areas such as community outcomes.

11. Impact of KLV Closure

11.1. Notwithstanding the covenant on the lease that requires the sports facilities to remain open, if KLV did close it would have significant impact on the local community including:

- Displacement of sports clubs that would need to find alternative venues. Kettering has the highest sports hall demand in the Council area and therefore used capacity is already high at other sites. Additionally, the nearest sports halls are all education sites with limited community access in evenings and on weekends only, there is no day time access during term time.
- There would be a shortfall in sports hall space in the Kettering area.
- There is already a shortfall of water space in the area, therefore removing the pool at KLV would make this shortfall worse.
- Volleyball England would need to find a new national base, given the facility requirements they would likely have to move out of the North Northamptonshire area.
- KLV is very accessible and is one of a few sites that has full disabled access to sports facilities. It is a preferred site for England Wheelchair Rugby on this basis.
- There would be no theatre provision in Kettering, reducing the arts and culture programme in the area.
- Existing fitness members would need to find alternative facilities and could result in the reduction of fitness members across Kettering.
- Lose the only publicly accessible squash courts in Kettering and Corby.
- Overall, a reduction in the participation of physical activity in the Kettering area would be expected.
- It would result in job losses for all KLV staff.

12. Conclusions

12.1. The key findings from the management options review are set out below.

- The Council currently has no control over the site and does not have a say in how and what services are delivered (with the exception of the covenant on the lease that the land is to be used for leisure purposes).
- If the Council wishes to have control over the site, it will need to agree the surrender of the lease. The cost of this is currently unknown and will be dependent on a condition survey of the building and business growth until the point of sale.
- The current arrangement with Phoenix Leisure is seen as a short term solution.
- If the Council is able to get control of the site (e.g. through purchasing the lease) then there are three management options it could consider in the short term:
 - In-house
 - Local Authority Trading Company
 - External Contractor
- Whichever option is selected it should be done on a short term basis to tie into the wider leisure portfolio and contract end dates. KLV should be incorporated into the management options appraisal being completed in 2024.
- There are advantages and disadvantages to all options. The in-house model would give the Council greatest control and is likely to deliver a locally focussed approach delivering well against strategic outcomes. An external contractor will need to operate under a specification and contract, which can define outcomes and targets but will not have the local focus of the in-house model.
- The external contractor option is expected to require a management fee that is comparable to the current operational deficit, however, taking into account the cost of the NNDR relief to the Council, the total cost to the Council will be in the region of £612k. The in-house option is expected to operate at a higher deficit (c.£841k) predominantly due to staff cost impact from an increased structure and more costly terms and conditions, pension contributions etc.
- Consequently, we would suggest that, in the short term, an external contractor would be the most sustainable solution whilst the wider management model for the Council's entire leisure portfolio is considered. For example, if it was operated in-house in the short term, costs would increase significantly, then if the decision is made in 2024/25 to contract out the management of all Council owned leisure centres the costs would be increased, and it would take longer for financial savings to be realised in the new contract. However, if the long term solution is an in-house model for all Council leisure centres, then the financial impact will be less going from an external contractor to in-house.
- The way in which an external contractor would be appointed will be dependent on the situation with the lease and if there is sufficient time to run a procurement process or if a direct appointment would be needed. The timing of any sale of the lease will determine the procurement route.

Appendix 1 - Options for Transfer of Leisure Services to a New Corporate Vehicle³

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

³ 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)
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 NNC would have to tender that contract as CIO cannot be a Teckal company	Yes, but NNC 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 partial VAT exemption. There is a Sporting Services VAT exemption (VAT Notice 701/45). Specific considerations	Specific advice required taking into account the Council's own partial VAT exemption. There is a Sporting Services VAT exemption (VAT Notice 701/45). Specific considerations	Yes, because by definition is a charitable organisation which gets HMRC registration for charitable purposes and therefore VAT relief.	Can register as charity for tax purposes with HMRC. Specific considerations about taxing the property if a property disposal.

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
	about taxing the property if a property disposal.	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 corporate vehicle, as well as required NNC governance approval. 2. If NNC 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 2 – Financial Modelling Assumptions

Assumptions	In-House	LATC	External Contractor
VAT Relief on income	The Council will be able to obtain VAT benefit on sporting income, including sports hall bookings, fitness membership, swimming lessons etc.	LATC will be able to obtain VAT benefit on sporting income, including sports hall bookings, fitness membership, swimming lessons etc.	External Contractor will be able to obtain VAT benefit on sporting income, including sports hall bookings, fitness membership, swimming lessons etc.
Impact on current financials	20% additional income on Balance and sports income	20% additional income on Balance and sports income	20% additional income on Balance and sports income
Irrecoverable VAT	No irrecoverable VAT costs	Irrecoverable VAT payable on expenditure included in 'other costs'	Irrecoverable VAT payable on expenditure included in 'other costs'
Impact on current financials	No change	Irrecoverable VAT rate of 75% assumed on relevant expenditure	Irrecoverable VAT rate of 75% assumed on relevant expenditure
NNDR Relief	The Council will have to pay full NNDR costs	Able to obtain a minimum of 80% NNDR relief	Able to obtain a minimum of 80% NNDR relief
Impact on current financials ⁴	No change	80% reduction in NNDR Costs in leisure budget	80% reduction in NNDR Costs in leisure budget
Staffing terms and conditions	Council terms and conditions are more expensive than the private sector, including higher pension contribution rates	Staff will transfer on current terms and conditions, no obligation to change. LATC can determine its own terms and conditions and pay scales.	Staff will transfer on current terms and conditions, no obligation to change. Terms and conditions expected to be comparable.
Impact on current financials	Increased staff costs from 42% to 50% of income	No change	No change
Central Cost Allocations	Typically have higher central costs than private sector recharged to other council departments e.g. HR, finance	LATC requires its own management structure, resulting in high central support costs	Utilise existing central support teams
Impact on current financials	Included at 7% income	Included at 14% income	Included at 5% income
Profit/Surplus	No profit allocation required	Typically requires a small surplus from the contract to build up level of reserves	Will require a profit from the contract and therefore builds this into their expenditure
Impact on current financials	No change	Included at 2% of income	Included at 4% income
Commercial Approach to Income	Currently the in-house operation in Corby is fairly commercial but is restricted by Council decisions on price increases etc.	Tend to be more commercial than in-house operations with more flexibility in pricing	Have a commercial approach to fitness memberships and swimming lessons, supported by central marketing teams
Impact on current financials	Assumed latent demand would be met at a gross yield of £34	Assumed latent demand would be met at a gross yield of £34	Assumed latent demand would be met at a gross yield of £34
Cost of Sales	Cost of Sales usually higher than external operators as economies of scale restricted to Council area only.	Cost of Sales usually higher than external operators as economies of scale restricted to one leisure contract	Typically operate with lower cost of sales due to their purchasing power and economies of scale as national companies.

⁴ Whilst the leisure budget may show a reduction in NNDR costs, the cost of relief remains withing the Council therefore there is no overall saving to the Council for NNDR where relief is granted. This is included in the table overleaf.

Assumptions	In-House	LATC	External Contractor
Impact on current financials	No change	No change	5% reduction on current cost of sales

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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.

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Place and Environment Scrutiny Committee Monday 25 March 2024

Report Title	Waste Management Three-Year Plan (update)
Report Author	Graeme Kane, Assistant Director, Highways and Waste Charlotte Tompkins, Waste Services Manager

Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Which Corporate Plan priority does the report most closely align with? Our priorities for the future North Northamptonshire Council (northnorthants.gov.uk)	Green, sustainable environment

List of Appendices

None

1. Purpose of Report

- 1.1. In September 2022, the Executive approved the Council's first Waste Management Three Year Plan (2022-2025) ("The Three-Year Plan"). This report provides an update on progress against that plan and looks ahead to the remaining period of the plan.
- 1.2. A key decision for the Executive, identified within the Three-Year Plan, is the future delivery of waste collection (and street cleaning) services in East Northamptonshire. This report seeks the views of the Scrutiny Committee in determining the most appropriate delivery model for those services.

2. Executive Summary

- 2.1. North Northamptonshire Council (NNC) is committed to delivering a high-quality waste collection service. The Waste Management Three Year Plan ("The Three-Year Plan") sets out the work the service is undertaking to optimise the service, engage new contracts and understand and prepare for the direction of future waste services in North Northamptonshire. The Council's Three-Year Plan, as approved by the Executive in September 2022, can be found here: [Appx A - Waste Management 3 Year Plan FINAL.pdf \(modern.gov.co.uk\)](#)

3. Recommendations

It is recommended that the Place and Environment Scrutiny Committee:

- (a) Note the progress against the Waste Management Three-Year Plan and the remaining actions to be delivered.
- (b) Consider the future delivery model for waste collection (including street cleaning) services in the East Northamptonshire area and provide their comments on the potential options.

3.1. Reason for Recommendations –

- Given the time elapsed since the Three-Year Plan was adopted and the progress against the plan, it is valuable to have the comments and views of the Scrutiny Committee on the progress made to date and the remaining actions to be implemented.
- There is a key decision for the Executive to make regarding the future delivery model for waste collection services in the East Northamptonshire area. It would be valuable to receive the views of the Scrutiny Committee on this matter.

3.2. Alternative Options Considered –

- There is the option for the Committee not to comment on the Three-Year Plan and to refer this to the Executive without any comments. The Committee could also choose not to discuss and consider the future delivery model of waste collection services in the East Northamptonshire area. In both cases, these options are not recommended as it is considered valuable to receive the views of the Committee on these matters.

4. Report Background

- 4.1. The Council's waste team deliver services for all North Northamptonshire's residents. These consist of waste kerbside collection services for co-mingled recycling, general waste (refuse), garden waste and food waste (in the areas of Corby and East Northamptonshire only). The Council also has a range of disposal arrangements to treat the material in the most environmentally conscious and economical way. Furthermore, the Council operates a network of Household Waste and Recycling Centres (HWRCs) offering a wide range of recycling and disposal services for residents, which are free of charge to use.
- 4.2. In September 2021, the Council agreed a Waste Management Three-Year Plan ("The Three-Year Plan") that laid out the intended developments for the waste services. The actions in the plan sought to harmonise services, which were inherited from the former borough and district councils, where appropriate to do so, and continue to develop the services to reflect emerging Government regulation and guidance. It was also necessary to undertake a

range of procurement activity to ensure suppliers and contractors were in place to treat the waste and recycling in the most appropriate and economical manner.

- 4.3. As part of the Government's plans to reform waste collections and packaging, now referred to as *Simpler Recycling*, the Government has been carrying out extensive consultation with local authorities and the waste, packaging and retail sectors regarding future recycling arrangements and requirements for local authorities. The aim is to ensure that people across England can recycle the same materials consistently for the benefit of the environment. This consultation and the emerging regulatory framework have taken longer to complete than was expected. This has delayed some of the work that the local authority intended to complete as the Government's strategy is required to inform the future of recycling collection services across North Northamptonshire. Nonetheless, the Council has made significant progress against its own Three-Year Plan published in September 2022.
- 4.4. The action plan within the Three-Year Plan are presented on pages 16-21 of the document, which can be found [on the Council's website](#).
- 4.5. One of the early decisions made by the Executive was to transfer the services provided by Wellingborough Norse back within the direct control of the Council. This decision was made before the Three-Year Plan was adopted and therefore is not contained within the action plan. This activity saw the return to in-house provision for waste and cleansing activities in the Wellingborough area, including provision of waste transfer arrangements and a new fleet. This was a significant transformation project supported by colleagues from across the organisation, including finance, legal, procurement, fleet service, ICT and property. The project was successfully completed in April 2022.
- 4.6. The following actions from the Three-Year plan have been completed:
 - **Procure disposal arrangements for Dry Mixed Recycling:** This contract commenced in December 2022.
 - **Procure disposal arrangements for green waste for composting:** This contract commenced in April 2023.
 - **Procure disposal arrangements for Kitchen Food Waste:** The procurement process is underway. Tenders have been received and it is envisaged that the new arrangements will be in place by April 2024.
 - **Implement route optimisation for Kettering and Corby:** Phase one of round optimisation to address the variations in operating practices inherited from the legacy Kettering / Corby shared service. Further phases will be required to account for the growing number of houses in the area, and to continually integrate the rounds across former district and borough boundaries. This was completed in September 2022.

- **Implement route optimisation for Wellingborough:** Phase one of round optimisation to address the resourcing issues inherited from the legacy arrangements provided by Wellingborough Norse. Further phases will be required to account for the growing number of houses in the area, and to continually integrate the rounds across former district and borough boundaries. This was completed in January 2023.
- **Carry out Waste Composition Analysis:** Data has now been obtained which analyses the material presented by NNC residents within the non-recycling container. The analysis showed that the average household in North Northamptonshire during this period disposed of approximately 18kg of general household waste per collection. Within that total it was found that 14.47% of this material could have been recycled via the Council's existing kerbside recycling collections, e.g. paper, card and plastic bottles that could have been placed into the recycling bin. With another 34.04% of the sample comprising of food waste which for half of the sample could have been recycled by using the food waste service where provided. In addition, the sample also showed that 4.4% of the material was organic garden waste that can be managed by home composting, using the Council's network of Household Waste and Recycling Centres (HWRCs) or signing up to the Council's garden waste collection service. This was completed during Summer 2023.
- **Reducing contamination in the kerbside recycling waste stream:** Contamination continues to be a concern within the recycling sector. The team continues to promote good recycling practices through regular communications through direct literature to residents, including bin tags, as well as through the Council's website, social media and press releases. Where contamination is identified within bins, the crews will leave a bin tag with information about what should be placed into each bin. This work is on-going.
- **Implement changes to the garden waste service:** Following an Executive decision, the garden waste service across North Northamptonshire was harmonised so that all residents were able to access the same service. A new subscription service was introduced with a strong focus on self-service; the service now has approximately 70,000 users. This was completed in April 2023.
- As part of the on-going work to develop an efficient and customer-focused garden waste service, the team are implementing a new direct debit solution for service users. This will make it easier for residents to renew each year and reduce administration for the back-office teams. This is due to be completed in April 2024
- **Investigate opportunities to decarbonise critical infrastructure. To include electric and hydrogen hybrid options:** The team has carried out several trials of electric vehicles. Following those trials, the Council has leased an electric refuse collection vehicle. This is now operational on the service and is performing well. This experience will

influence future decisions about procuring fleet. Smaller vehicles are also being procured and considered for inclusion within the fleet.

- **Undertake procurement of the Corby closed landfill Operational & Maintenance contract and also the wider technical support contract for all closed landfills:** a new contract is in the final stages of being put in place to ensure the Council continues to fulfil its statutory obligations for Corby closed landfill under Part 2A of the Environmental Protection Act 1990 and remain compliant with the site's Environmental Permit and Trade Effluent Consent. The new contract is intended to commence on 1st April 2024.
- **Secure arrangements for the future provision of the Household Waste Recycling Centres (HWRC) to include Wood Waste disposal:** This procurement activity is on-going and is due to complete in time to secure future disposal arrangements and provision of the HWRC services in April 2025.
- **Communications Plan for Waste Awareness & Prevention:** The waste team maintains an on-going communications campaign aligning with national campaigns and 'calls to action'.

4.7. To continue the process of transforming the waste services, the following actions, originating from the Three-Year Plan, are required to be delivered:

- **Options Appraisal of all waste collection services for the ending of the FCC contract:** The waste collection (including street cleaning) services in East Northamptonshire are currently provided by an external contractor. The services operate from a depot in Chelveston. The contract has been in place since 2018. In July 2025, there is an opportunity to extend the contract by up to a further seven years or allow the contract to end at that point. If the contract is not extended the Council will need to implement an alternative delivery model in time to avoid any disruption to this highly valued, and essential, service for residents. The service currently performs well with few disruptions and is well established.
- The team have started to explore these options with the intention to present a recommendation to the Executive for a decision. If the services are to transfer in-house, they will need to be in place by 1st August 2025.
- **Implement Food Waste Collections to Kettering and Wellingborough:** The Government has recently confirmed that all authorities will be required to provide food waste collections by April 2026. At the time of producing the Three-Year Plan, the Government had indicated that this date would be earlier, in April 2025. The waste team will now develop a programme of work to deliver the service in line with those timescales. This will also give an opportunity to promote the existing food waste collection services in the East Northamptonshire and Corby areas.

- **Introduce Waste Electrical and Electronic Equipment (WEEE) doorstep collections in Wellingborough, Kettering and Corby:** The team have been waiting for the outcome of the Government's guidance on future recycling arrangements before progressing with this project. It is possible that the Government will make it a requirement to provide this service, and if necessary, may be providing further guidance and funding to implement the service. It is in the interest of the Council to have this confirmed by Government before they progress with this project.
- **Reorganisation of the waste team:** Since NNC was created, the team across North Northamptonshire have continually improved the way they work together across the former district and borough areas. This has brought efficiencies and service improvements such as increased resilience for the collection services. The next stage is to formerly restructure the team, so they reflect a unitary authority delivering waste collection and disposal activities. The first phase to reorganise the waste team has been launched and is underway. The second phase will follow, and it is expected that this will be completed during 2024.
- **Revisit all waste policies:** Given the Government's announcements, including changes to the maximum penalties for litter and fly-tipping, the team will be reviewing the policies to reflect future changes to the service. This will progress during 2024, with a view to have all policies reviewed and updated by April 2025.
- **Draft, for adoption, a Waste Strategy for North Northamptonshire:** The development of a local strategy is dependent on confirmation of the Government's national strategy. As this continues to emerge, the waste team will start to draft its own local strategy for adoption. This will progress in 2024 for likely adoption in early 2025.
- **Public Consultation on the types of Service they want in North Northamptonshire:** The Government's *Simpler Recycling* strategy has confirmed the requirements for local authority recycling collections. Given the requirement to collect recycling in line with the Government's strategy, there is less value in consulting the public on these matters. As the new services are embedded, it may be beneficial to consult with residents about how the Council could encourage higher take up of recycling to drive up performance. Opportunities to consult will be considered for the future.

5. Issues and Choices

5.1. Reviewing the Three-Year Plan

- 5.2. Given the progress in delivering the Three-Year Plan and the publication of the Government's *Simpler Recycling* strategy, it is now a good opportunity for the Council to review its Plan. The Scrutiny Committee is requested to review progress against the plan, note the actions still to be completed, and make comment on both.

5.3. Providing waste collection services in East Northamptonshire

- 5.4. The Council has a decision to make regarding the service delivered across East Northamptonshire. The Council could either seek to extend the contract with the provider for up to a further seven years or bring the service in-house.
- 5.5. The Scrutiny Committee is requested to comment on which basis this decision should be made. The Executive could decide to bring the service in-house so that all waste collection services across North Northamptonshire are delivered directly by the Council through in-house teams. This would enable the authority to continue the integration of collection rounds and utilise resources across the boundaries of the former boroughs and districts.
- 5.6. Alternatively, the Executive could decide the future delivery model for services in East Northamptonshire based on the cost of delivering the services. This would rely on financial analysis to determine which service delivery model is more cost-effective and decide on that basis. This analysis has not yet been undertaken so it is not yet possible to determine which delivery model is more cost effective. If the external provider was deemed to represent better value for money than an in-house service, then the decision could be to extend the contract. This may mean there is a mixed approach to service delivery with some services in North Northamptonshire being delivered in-house and others delivered by external providers.
- 5.7. If the contract was extended for some additional years, the Executive could take that time to consider its longer-term approach to delivering the services. During that period, it could determine whether it wanted to externalise all the waste collection services across North Northamptonshire through a procurement exercise, or whether it wanted to integrate them all into one directly delivered in-house model. The authority could also consider establishing an arms-length organisation to deliver those services on behalf of the Council.

6. Next Steps

- 6.1. It is intended to present progress against the Three-Year Plan to the Executive at its meeting to be held in April 2024. An updated plan for the remaining years of the plan, considering the Scrutiny Committee's comments, will also be presented to the Executive.
- 6.2. The Executive will be presented with options, and a recommendation, regarding the future provision of waste collection services in the East Northamptonshire area. This will be informed by the comments of the Scrutiny Committee.

7. Implications (including financial implications)

7.1. Resources, Financial and Transformation

- 7.1.1. The waste collection service has a combined revenue budget of approximately £12m. This will be used to deliver the actions within the Three-Year Plan. Additional funding has been received from the Government for the introduction of the food waste service in Kettering and Wellingborough areas.
- 7.1.2. If the waste collection services in East Northamptonshire are to be transferred in-house, there would be additional costs related to the transfer of the services. These costs are yet to be finalised. The principal costs are likely to relate to the provision of replacement vehicles and equipment and establishing an operational depot in the local area.

7.2. Legal and Governance

- 7.2.1. There are no legal implications arising from reviewing the Three-Year Plan. The plan sets work to be undertaken by the authority over the next three years and does not make any legal or commitments with third parties.
- 7.2.2. Each project within the plan may have legal and governance implications, as such these will be subject to review with relevant authorised officers throughout the duration of the project.
- 7.2.3. The Environmental Protection Act 1990 requires local authorities to provide waste collections to households (section 45) and the Waste (England and Wales) Regulations 2011 requires those collections to encompass arrangements to separately collect paper, metal, plastic, and glass as a minimum. The Environment Act 2021 amends these provisions to define recyclable waste as: (a) glass; (b) metal; (c) plastic; (d) paper and card; (e) food waste (f) garden waste.
- 7.2.4. The Environmental Protection Act 1990, at section 46, allows the Council to specify the size and type of containers in which waste is collected as well as the frequency of those collections.
- 7.2.5. The Council is permitted to charge for the collection of waste from non-domestic premises under Schedule 1 Section 4 (2) of the Controlled Waste (England and Wales) Regulations 2012. Section 45(3)(b) of the Environmental Protection Act 1990 further provides that any charge must be “reasonable”. The Act does not define “reasonable,” but the usual meaning is that the charges should be comparable with those levied by other authorities and service providers and reflect the costs of delivering the service.
- 7.2.6. The Environmental Protection Act 1990, at section 51, places a duty on Councils to provide to provide Household Waste Recycling facilities. There is no mention of the number of facilities needed save the requirement for them to be ‘reasonably accessible to persons resident in the area.’
- 7.2.7. The Public Contracts Regulations 2015 requires contracts for supplies and services more than £189,330 to be tendered in accordance with the regulations by way of a tender process.

7.3. Relevant Policies and Plans

- 7.3.1. [North Northamptonshire Waste and Recycling Policy](#) as approved by Executive on 18th November 2021.
- 7.3.2. These policies have been designed to meet our statutory obligations in relation to waste collection and recycling and to ensure that there are clearly defined policies and standards in relation to the collection and disposal of waste and recyclable materials.
- 7.3.3. The proposal is in line with the Council's Corporate Plan, particularly the commitments to provide modern public services and create a greener, sustainable environment. The recommendations seek to promote a harmonised service, which promotes recycling opportunities for all users.
- 7.3.4. Activity undertaken in this service area is supported by the following corporate policies and plans: Highways & Waste Service Plan (2023-24); North Northamptonshire Waste & Recycling Policy; Street Cleansing Policies; Litter and Fly tipping strategy; Enforcement Policy for Waste Crime; and North Northamptonshire Council Carbon Management Plan

7.4. Risk

- 7.4.1. The loss of recycling processing and disposal facilities has been identified as a key risk for the waste management service and has been included in the service risk register. The disruption of collection services is also highlighted as a potential risk. The activities contained within the plan are controls to mitigate this risk.
- 7.4.2. There is a specific risk regarding the services delivered in the East Northamptonshire area. If future plans for this service are not determined and implemented before the current contract period expires, the waste collection services in this area would fail. It is necessary to ensure that the services are not disrupted in this way.

7.5. Consultation

- 7.5.1. In advance of any significant service changes, a public consultation exercise would be carried out to inform the proposed changes. It is not proposed to consult with the public on the service delivery model for East Northamptonshire i.e. contracted or in-house, unless this significantly changed the nature of the service they were receiving.

7.6. Consideration by the Executive

- 7.6.1. The Executive agreed the Three-Year Plan in September 2022 and will be asked to consider the updates to the plan, intended to be at its meeting in April 2024.

7.7. Equality Implications

- 7.7.1. An Equalities Screening Assessment (ESA) was completed for the original Three-Year Plan indicating no need at this stage for an Equalities Impact Assessment (EqIA). There were no negative impacts on any of the protected groups owing to the recommendations of this report. This report does not seek to alter the plan, only provide an update on progress to deliver the plan.
- 7.7.2. Specific projects and activities contained within the Three-Year Plan will require separate ESA and EqIAs to assess any equalities implications. These will be completed as detailed project plans are made for each activity. It may be necessary to provide more detailed action plans for any identified negative impact following those assessments.

7.8. Climate Impact

- 7.8.1. The Council, having declared a climate change and environment emergency in June 2021, is committed to reducing its climate impact both within its own Council buildings and in working with businesses and the wider community to achieve net zero energy emissions.
- 7.8.2. By ensuring the Council has appropriate arrangements in place for its obligations for the collection, treatment and disposal of the various waste streams, it can continue to promote and encourage the separate collection and treatment of recyclable material. This approach seeks to reduce the environmental impact of waste disposal. In addition, by virtue of the contract arrangements the Council can monitor the impacts of managing the material to ensure that it is ethically and environmentally managed in accordance with Waste Management legislation and aligns with the Council's strategy in terms of Climate Change.

7.9. Community Impact

- 7.9.1. The waste management service is highly valued by residents and most residents wish to increase the total amount of material recycled from households by utilising the full range of recycling opportunities available to them. By putting in place a contract, and the other activities contained within the Three-Year Plan, NNC can encourage and promote recycling, which provides all communities with the associated environmental and societal benefits.

7.10. Crime and Disorder Impact

- 7.10.1. By delivering the Three-Year Plan the Council is ensuring it has appropriate disposal routes for waste. As such it is tackling illegal waste disposal and associated anti-social activities therefore mitigating crime and disorder offences associated with illegal waste disposal.

8. Background Papers

- 8.1. [Waste Management 3 Year Plan \(2022-2025\)](#)

- 8.2. [North Northamptonshire Waste and Recycling Policy](#) - approved by Executive on 18th November 2021
- 8.3. [Environmental Protection Act 1990](#)

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Place and Environment Scrutiny Committee Monday 25th March 2024

Report Title	Asset Rationalisation and Use - Scrutiny Panel Feedback
Report Author	Jonathan Waterworth Assistant Director Assets & Environment

Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	<i>Not applicable</i>
Which Corporate Plan priority does the report most closely align with? Our priorities for the future North Northamptonshire Council (northnorthants.gov.uk)	Modern public services

List of Appendices

**Appendix A – Feedback from the Asset Rationalisation & Use Scrutiny Panel
(Presentation to be received at the meeting)**

Appendix B – Climate Change Impact Assessment

1. Purpose of Report

- 1.1. Following the Scrutiny Commission establishing an Asset Rationalisation & Use Scrutiny Panel ('the Panel') in 2022, this report provides a summary of the work that has been the focus of the Panel, including its consideration and recommendations on the rationalisation and use of the Council office estate.

2. Executive Summary

- 2.1. The report provides an overview of the work of the Asset Rationalisation and Use Panel, including the development of various Asset policies and consideration of the Council's office estate.
- 2.2. The presentation at Appendix A (to be issued on the 25th March 2024), provides an overview of the consideration of the office estate and recommended buildings to consolidate into and to exit.

- 2.3. The recommendation preserves customer service access in main locations, whilst ensuring the Councils estate is used efficiently.
- 2.4. The report considers next steps for the Panel, and membership.

3. Recommendations

- 3.1. It is recommended that Place and Environment Scrutiny Committee:
- (a) Notes the work undertaken by the Panel inputting to the positive development of various asset policies;
 - (b) Provides feedback on the findings and recommendations of the Panel's work to consider the Councils office estate;
 - (c) Provides comment on the future topics that the Committee would like the Panel to consider, noting the possible topic detailed in section 5.2 & 5.3;
 - (d) Considers the future membership of the Panel, given several panel members' duties have changed since its inception.
- 3.2. Reason for Recommendations:
- The proposals related to the Councils office estate most closely align with local government reform and transformation outcomes;
 - The recommended course of action preserves customer access locations, whilst rationalising the number of operational office buildings
 - The recommendation has been subject to scrutiny via the Panel.
- 3.3. Alternative options included:
- Leaving the office estate unchanged, which would have been unsustainable given the level of investment required in the estate, not met with carbon emission reduction ambitions and been an inefficient use of space relative to the demands of the organisation.
 - Consolidating into less office space. Whilst this may be an option considered for the future, the present constraints of the estate preclude disposal of some assets. Further, the current proposal ensures customer access arrangements are maintained, with intensification of use of retained buildings.

4. Report Background

- 4.1. The Scrutiny Commission Workplan identified Asset Rationalisation and Use as a topic for review, with the following notes:
- To understand the Council's assets and ensure they are being utilised appropriately.

- Develop methodologies around the use and cost of assets against the value those assets bring to the community.
 - Understand how cost efficient the council's buildings are.
 - To provide recommendations on the commercial use of our assets and opportunities.
 - To understand whether buildings should be rationalised.
- 4.2. The Scrutiny Commission subsequently determined to establish the Asset Rationalisation & Use Scrutiny Panel, made up of five Elected Members, to explore the above topic.
- 4.3. The depth and range of estate considerations is vast, however, to provide structure to the Panels work, the following key areas of focus were put forward for consideration:
- a. Develop knowledge of the composition of the council's estate, why the property is held and the approach to developing future management approaches.
 - b. To develop knowledge of the routes to rationalising an estate – disposal, regeneration, refurbishment for internal use, or development for commercial use, divestment (Community Assets Transfer Policy), partner opportunities, Future ways of working Strategy.
 - c. To consider the priority of the council's asset review process (e.g. operational estate) and factors to consider when making a suitability assessment.
 - d. To understand the Minimum Energy Efficiency Standards Regulations and how they apply to the council's estate and the implications of future Energy efficiency targets, which will form the part of the Council's Carbon Management Plan.
 - e. To raise awareness of key risks associated with the council's commercial estate and provide reassurance on the management and monitoring thereof.
- 4.4. The Panel resolved at their first meeting that their focus would be to consider the Council's operational office buildings and the approach to rationalisation and use. This involved site visits, receiving overviews of building constraints and data, and consideration of what factors should be considered as part of asset rationalisation.
- 4.5. An overview of this work and the Panel's recommendation as to which buildings to consolidate into will be provided to the Committee at the meeting on the 25th March 2024. Given the impact changes to work locations has on

occupants, it is important that suitable communication with staff and Trade Unions takes place, which is planned for the 25th March 2024.

- 4.6. The Panel also received reports and briefings on the composition of the council's estate, why the property is held and categorised in specific ways for financial accounting purposes, what vacant property was held, and the approach to developing asset management policies and different routes to rationalising the estate.
- 4.7. As part of this work, the Panel has been involved in the development of the following Asset Strategy Policies:
 - Community Asset Transfer Policy which provides a framework for the Council to consider and determine requests for Council owned assets to be transferred to local stakeholders, including Town & Parish Councils.
 - Asset Disposal Policy, which establishes a systematic and transparent approach to disposals in line with statute and government policy, including the establishment of the Asset Management Review Group, which includes provision for Ward Councillor engagement.
 - Corporate Property Leasehold Policy, which establishes procedures and processes to ensure there is adequate governance to mitigate risks associated with leasing property it owns to third parties or taking on leasehold interests.

5. Issues and Choices

- 5.1. The Scrutiny Committee is asked to consider the presentation providing an overview of the rationalisation of the Council's office estate, and the recommended buildings to consolidate into.
- 5.2. The Scrutiny Committee is also requested to consider the future topics and membership of the Asset Rationalisation and Use Panel. Of the original areas of focus that had been identified, the following areas remain to be explored by the Panel, noting that the Committee may wish to prioritise, vary or add to the topics:
 - To understand the Minimum Energy Efficiency Standards Regulations and how they apply to the council's estate and the implications of future Energy efficiency targets, which will form the part of the Council's Carbon Management Plan.
 - To raise awareness of key risks associated with the council's commercial estate and provide reassurance on the management and monitoring thereof.

- 5.3. Additionally, further Policy development is planned for 2024/25, including the Asset Acquisition Policy and Asset Investment Strategy, both of which the Panel can input into the development of.

6. Next Steps

- 6.1. Appendix 1 details the next steps with respect to moving forward with the rationalisation of the Councils office estate. This will be issued to the Committee on 25th March prior to the meeting, in order to align with the launch of consultation with Trade Unions and staff.
- 6.2. The Scrutiny Committee is asked to consider the future priorities of the Panel, as detailed in 5.2 & 5.3.

7. Implications (including financial implications)

7.1. Resources, Financial and Transformation

- 7.1.1. The resource implications as part of consolidating the Council's estate have been considered as part of the proposal, including the establishment of a project team and capital budget to invest in the assets. Any subsequent decision on the assets will be considered via the appropriate policy and governance process, which will consider financial implications.

7.2. Legal and Governance

- 7.2.1. Legal advice has confirmed that the redeployment of staff from specific workplace locations is not a key decision. However, any subsequent decision on a vacated building resulting in a change in tenure or ownership would be subject to the prevailing policy (e.g. Asset Disposal Policy or Community Asset Transfer Policy, Corporate Property Leasehold Policy) for which the procedure and governance detailed within that policy and Constitution would be followed respectively.

7.3. Relevant Policies and Plans

- 7.3.1. The outcomes of the work undertaken by the Panel support several areas of the Corporate Plan including:
- (a) Modern Public Services, through more efficient use of assets.
 - (b) Connected Communities, through the preservation of Customer Service locations.

7.4. Risk

- 7.4.1. The report and presentation cover a number of specific risks related to inefficient use of Council assets, asset base not meeting organisation demands and needs, the estate not being carbon efficient or meeting energy

standard requirements, maintenance requirements being uneconomic to deliver across all assets.

7.5. Consultation

- 7.5.1. The outcome of the consolidation of the Council's office estate will be subject to consultation with Trade Unions and Staff as it may involve their relocation to different buildings.
- 7.5.2. Wider consultation on the proposal will not be undertaken with partners, however, the proposal does provide opportunity to work with public sector partners on improving and meeting their estate needs.

7.6. Consideration by the Executive

- 7.6.1. The Executive approved an Asset Disposal Policy at its meeting held on 22 December 2022

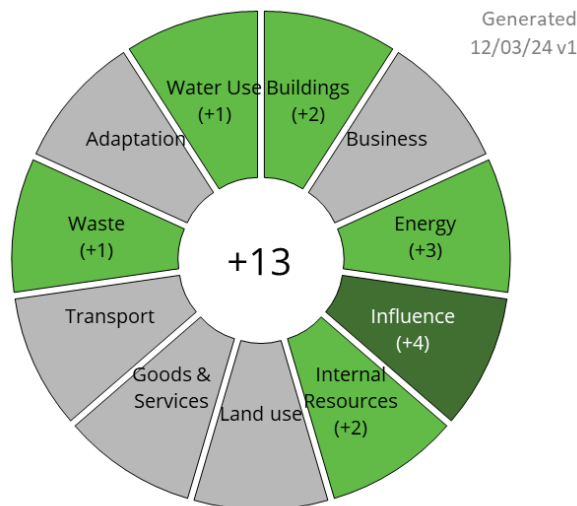
7.7. Equality Implications

- 7.7.1. Whilst this report does not give rise to specific equality implications, the implementation of the office consolidation will give rise to equalities implications, requiring consideration of accessibility and individual support. This will be considered as part of the capital investment in the buildings, and via feedback from staff as part of any consultation.

7.8. Climate Impact

- 7.8.1. With the Council's declaration of a climate emergency in July 2021 and the approval of the Carbon Management Plan in December 2022, we have committed to working towards becoming a carbon neutral council by 2030.
- 7.8.2. The Climate Change Impact Assessment is provided below:

7.8.3.



North Northamptonshire Council has committed to being a carbon neutral organisation by 2030 (5 years and 9

Building use

Through this project, we will be reducing the number of office buildings that we utilise and therefore, the amount of energy use and emissions from the Council will be reduced.

Energy Efficiency

Through the implementation of more energy efficient technology (automatic lighting etc.), we will use energy more effectively. Also, as we decommission certain assets that are perhaps less energy efficient / need will reduce emissions.

Reducing energy demand

Currently there are under-utilised buildings, with only some offices being used, however the whole building will have energy provision. By relocating teams to make more use of existing buildings, and fully emptying some buildings, we will reduce the energy demand.

Communication & engagement

Communicating and understanding possibilities to improve ways of working is key to this project. Incorporation of FWOV surveys from staff and continued engagement with Cllrs, ADs and teams will be key to ensure requirements are met.

Wider influence

The outputs of this project will be seen by the wider community and will show that we are meeting our corporate objectives.

Material / infrastructure requirement

Through rationalising Council office assets, there will be a reduced material and infrastructure requirements as there will be less offices to maintain.

Staff time requirement

For teams that are relocated, there will be a requirement for them to assist with review their storage requirements and clearing their desks, which will be supported through the 'clear the clutter' campaign.

Waste volume

Through campaigns like 'Clear the clutter' and introducing new ways / setups for working, the volume of waste will be reduced in our corporate buildings

Improving water-use efficiency

We will be reducing the amount of water we currently use, through rationalising the buildings we have and their use.

7.9 Community Impact

7.9.1 Community Impact was considered by the Panel as part of its review of the various buildings. Maintaining a local presence in towns was considered important to ensure customer access was maintained.

7.10 Crime and Disorder Impact

7.10.1 There are no direct crime and disorder impacts arising from the report. Where properties do become vacant, it is important appropriate security is implemented and plans are progressed for its future use to avoid attracting anti-social behaviour.

8 Background Papers

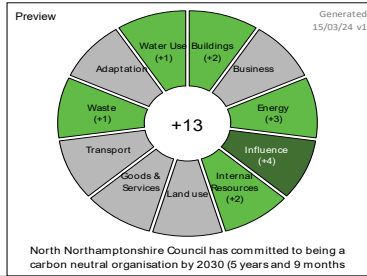
[Report to Executive - Community Asset Transfer Policy - 19 May 2022 \(Minute 217 refers\)](#)

[Report to Executive - Asset Disposal Policy - 22 November 2022 \(Minute 352 refers\)](#)

[Report to Executive – Corporate Property Leasehold Policy – 16 November 2023 \(Minute 537 refers\)](#)

Climate Change Impact Assessment Tool (v1)

Directorate & Service Area	Place and Economy, Assets and Environment
Report Name	Workspace Transformation
Report date	14/03/24
Report author & role	Natalie Parker, Project Manager
Proposal Summary	Phase 1: Seeking approval to progress with rationalising existing buildings
Export filename	Workspace Transformation CCIA 14.03.2024 .png



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Category	Impact	Notes / justification for score / existing work (see guidance sheet or CCIA detailed notes for more information)	Score (-5 to +5)	Mitigations (If the impact is negative, please provide a mitigating action for reducing the impact going forward)
Buildings	Building construction			
Buildings	Building use	Through rationalising the use of buildings, we should reduce the current demand on their use and thus reduce emissions generated from building use	+2	
Buildings	Green / blue infrastructure			
Business	Developing green businesses			
Business	Marketable skills & training			
Business	Sustainability in business			
Business				
Energy	Energy efficiency			
Energy	Reducing energy demand	By relocating teams and making better use of existing buildings, we will reduce the energy demand	+3	
Energy	Switching to low-carbon energy supply			
Energy				
Influence	Communication & engagement	This project clearly illustrates the Council's commitment to work toward carbon neutrality and positive action towards climate change. Incorporation of FWOV surveys, will continue to engage with Cllrs, ADs and teams to ensure requirements are met.	+2	
Influence	Wider influence	Our outputs will be seen by the wider community, and will see that we are meeting our corporate objectives	+2	
Influence	Working with communities			
Influence	Working with partners			
Internal Resources	Material / infrastructure requirement	This project will result in less use of existing infrastructure as it seeks to rationalise buildings	+3	
Internal Resources	Staff time requirement	There will be a requirement for all teams to review their current work areas through 'clear the clutter'.	-1	
Internal Resources	Staff travel requirement			
Internal Resources	External funding			
Internal Resources				
Land use	Carbon storage			
Land use	Improving biodiversity adaptation			
Land use	Natural flood management			
Land use				
Goods & Services	Food & Drink			
Goods & Services	Products			
Goods & Services	Single-use plastic			
Goods & Services	Services			
Goods & Services				
Transport	Decarbonising vehicles			
Transport	Improving infrastructure			
Transport	Demand reduction			
Transport	Supporting people to use public transport			
Transport	Supporting people to use active travel			
Transport				
Waste	End of life disposal / recycling			
Waste	Waste volume	Fewer buildings means a reduction in the volume of waste generated from corporate buildings	+1	
Waste				
Adaptation	Drought vulnerability			
Adaptation	Flooding vulnerability			
Adaptation	Heatwave vulnerability			
Adaptation				
Water Use	Improving water-use efficiency	We will be reducing the amount of water we currently use, through rationalising the buildings we have and their use	+1	
Other	Other 1			
Other	Other 2			
Other	Other 3			
Other	Other 4			

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