



# 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

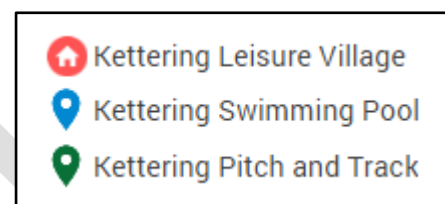
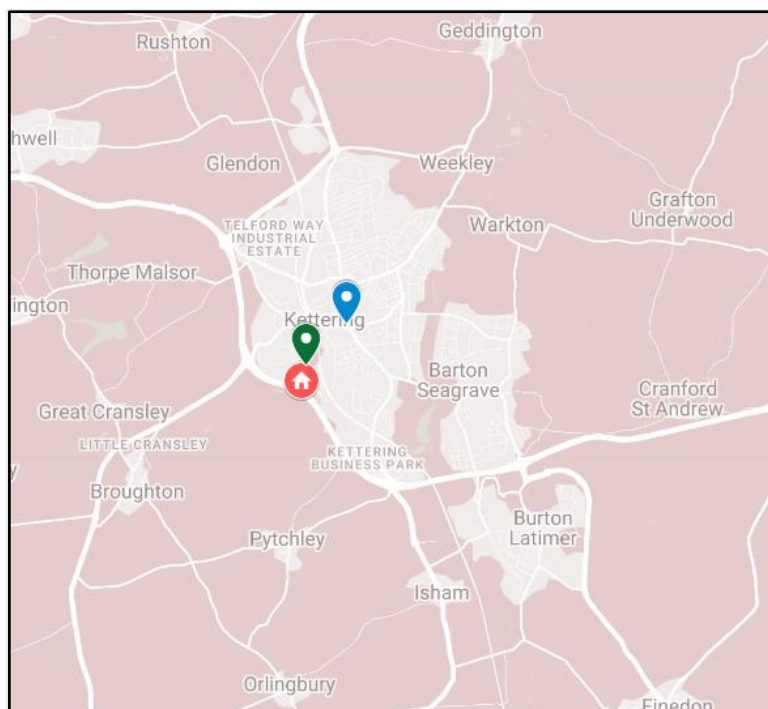
1.1.14. It is important to recognise that the options set out above are only possible if the Council is in control of the site. It is possible that the current leaseholder could implement one of the following options, which are outside of the Council's control:

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

- 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 &amp; 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"> <li>• Being unapologetically ambitious in making the nation more active, whether in government or in the sport sector</li> <li>• 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</li> <li>• Moving towards a more sustainable sector that is more financially resilient and robust</li> </ul>
 <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"> <li>• 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</li> <li>• Provision that is place-based and at the heart of local communities</li> <li>• An approach that brings forward new thinking, products and services requires proactive and skilled leadership</li> <li>• Provision that is low carbon and delivers a step change in carbon emissions at the local authority level</li> </ul>
 <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"> <li>• Recover and Reinvent;</li> <li>• Connecting Communities;</li> <li>• Positive Experiences for Young Children and Young People;</li> <li>• Connecting with Health &amp; Wellbeing; and,</li> <li>• Active Environments</li> </ul>
 <p>Ministry of Housing, Communities &amp; 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"> <li>• Promote social interaction</li> <li>• Are safe and accessible</li> <li>• Enable and support healthy lifestyles</li> <li>• Open Space and Recreation – Access to a network of high-quality open spaces and opportunities for sport and physical activity</li> <li>• Promoting Sustainable Transport – Transport issues should be considered from the earliest stages of plan-making &amp; development proposals so that;</li> <li>• Opportunities to promote walking, cycling and public transport use are identified and pursued</li> </ul>
 <p>Public Health England</p>	<p>Our vision for 2025</p> <ul style="list-style-type: none"> <li>• Lower smoking rates</li> </ul>	<ul style="list-style-type: none"> <li>• Take steps towards creating a smoke-free society by 2030;</li> <li>• Help make the healthy choice the easy choice to improve diets and reduce rates of childhood obesity;</li> </ul>



National Strategy	Vision	Key Priorities
<p>PHE Strategy 2020-2025</p>	<ul style="list-style-type: none"> <li>• Less sugar, calories and salt in the food eaten every day</li> <li>• Less pollution in the air that we breathe</li> <li>• Measurable improvements in mental health</li> <li>• Improved mental health literacy</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and share advice on how best to reduce air pollution levels and people’s exposure to polluted air; and</li> <li>• Promote good mental health and contribute to the prevention of mental illness</li> </ul>
 <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"> <li>• Community Growth</li> <li>• Technical Development</li> <li>• Performance Pathway</li> <li>• Progressive Events</li> <li>• Member Engagement and Experience</li> <li>• Operational Excellence</li> </ul>
 <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"> <li>• Travel (increased investment in active travel);</li> <li>• Leisure (access to open spaces and recreation facilities);</li> <li>• School (physical education recognised and protected as an essential part of the school curriculum); and,</li> <li>• Work (encourage active travel)</li> </ul>

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><b>North Northamptonshire Joint Core Strategy</b></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"> <li>● <b>Health and wellbeing</b> – 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;</li> <li>● <b>Education and skills</b> – 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;</li> <li>● <b>Ensuring economic prosperity</b> – 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;</li> <li>● <b>Environment</b> – encouraging and promoting environmental protection, improving the environmental and visual quality of the area, managing resources effectively, sustainable transport for all;</li> <li>● <b>Strong and safe communities</b> – 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.</li> </ul>
<p><b>North Northamptonshire Vision 50</b></p>	<p>A proposed vision for the best life in North Northamptonshire in 2050</p>	<ul style="list-style-type: none"> <li>● Proud place – A place with clear goals and a plan of how to get there, where people feel inspired and safe.</li> <li>● Prosperous place – A place full of thriving businesses and a skilled population who can achieve their ambitions.</li> <li>● Proactive place – A place which understands the issues its people face and how to address them early, so everyone can live the best life</li> </ul>
<p><b>North Northamptonshire Strategic Plan 2022 (in consultation)</b></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"> <li>● The spatial vision for North Northamptonshire</li> <li>● The approach to Levelling Up</li> <li>● The approach to climate change</li> <li>● Strategic Development Locations and Opportunities</li> <li>● Place-making/sustainable environment</li> <li>● Natural and Historic Environment</li> </ul>
<p><b>North Northamptonshire Greenway Strategy 2023</b></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"> <li>● Enable people to choose to walk, wheel or cycle for a range of trip purposes including school, commuting, every day and leisure trips.</li> <li>● Deliver an accessible, inclusive active travel network in line with current design standards in terms of coherence, directness, safety, comfort and attractiveness.</li> </ul>

Strategy	Vision	Key Priorities
		<ul style="list-style-type: none"> <li>• Help to deliver North Northamptonshire’s Green Infrastructure network including the Ise and Nene Valley Corridors</li> <li>• Improve the tourism offer across North Northamptonshire, with connected market towns, nature reserves and tourism sites and circular routes.</li> <li>• Improve the vitality of North Northamptonshire’s towns, aiding local businesses by improving access for commuters and shoppers.</li> <li>• Provide safe routes to schools.</li> <li>• Provide additional sustainable transport options for residents who don’t own a car.</li> </ul>
<p><b>North Northamptonshire Local Development Scheme 2023-2026</b></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"> <li>• The LDS does not have specific priorities but sets out a timetable for the preparation of planning documents prepared in the local area.</li> </ul>
<p><b>North Northamptonshire Strategic Sports Facilities Framework 2010-2026</b></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"> <li>• Influence the Core Spatial Strategy review by providing a comprehensive evidence base</li> <li>• Reflect the priorities set out in emerging Whole Sport Plans;</li> <li>• Plan effectively for the impending Building Schools for the Future (BSF) programme;</li> <li>• Inform the North Northamptonshire Developer Contributions SPD;</li> <li>• Inform other Local Development Framework (LDF) planning documents (such as Site-Specific DPDs and Area Action Plans);</li> <li>• “Make the case” for sport;</li> <li>• Inform/update the North Northamptonshire Programme of Development</li> <li>• (PoD) infrastructure list.</li> </ul>
<p><b>Northamptonshire Integrated Care Board Five-Year Joint Plan 2023-2038</b></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"> <li>• Improve outcomes in population health and healthcare</li> <li>• Tackle inequalities in outcomes, experience and access</li> <li>• Enhance productivity and value for money</li> <li>• Help the NHS support broader social and economic development</li> </ul>
<p><b>Integrated Care Northamptonshire 2023-2033</b></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"> <li>• The best start in life</li> <li>• Access to the best available education and learning</li> <li>• Opportunity to be fit, well and independent</li> <li>• Employment that keeps them and their families out of poverty</li> <li>• Good housing in places which are clean and green</li> <li>• To feel safe in homes and when out and about</li> <li>• Connected to families and friends</li> <li>• The chance for a fresh start when things go wrong</li> <li>• Access to health and social care when needed</li> </ul>

Strategy	Vision	Key Priorities
<b>North Northamptonshire Carbon Management Plan 2022</b>	A plan to be carbon neutral by 2030	<ul style="list-style-type: none"> <li>• Evaluating buildings</li> <li>• Leisure decarbonisation – Heat pumps, solar energy sources and LED lighting</li> </ul>
<b>Ise Valley Strategic Plan 2022</b>	“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"> <li>• 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.</li> <li>• Mitigate climate change. Contribute to natural flood management.</li> <li>• Minimise impacts on the catchment and provide net gains for biodiversity.</li> <li>• Improve water quality.</li> <li>• Create new green infrastructure (GI) as well as protect and enhance existing GI.</li> <li>• Seek opportunities to develop sustainable tourism that creates socioeconomic benefits for communities through employment and income-earning opportunities</li> </ul>
<b>Move Northamptonshire 2023-2028 (Nsport)</b>	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"> <li>• Integrated offers</li> <li>• Tailored choices</li> <li>• Active Environments</li> <li>• Active ageing</li> <li>• Great communication</li> </ul>
<b>Northamptonshire Visitor Economy Strategy 2023 – 2030 (Draft)</b>	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"> <li>• Visits and Value – Increase the number and value of staying visitors from outside the county and encourage day visits from closer to home.</li> <li>• Great People – Develop local talent into a motivated workforce to fill vacancies, boost standards and increase pride of place.</li> <li>• Better Business – Support our visitor economy businesses to grow and to collaborate locally in order to be able to compete nationally.</li> <li>• Inspirational Places – Attract investors to help deliver the further development of this unique, diverse and contemporary offer.</li> </ul>

## 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.

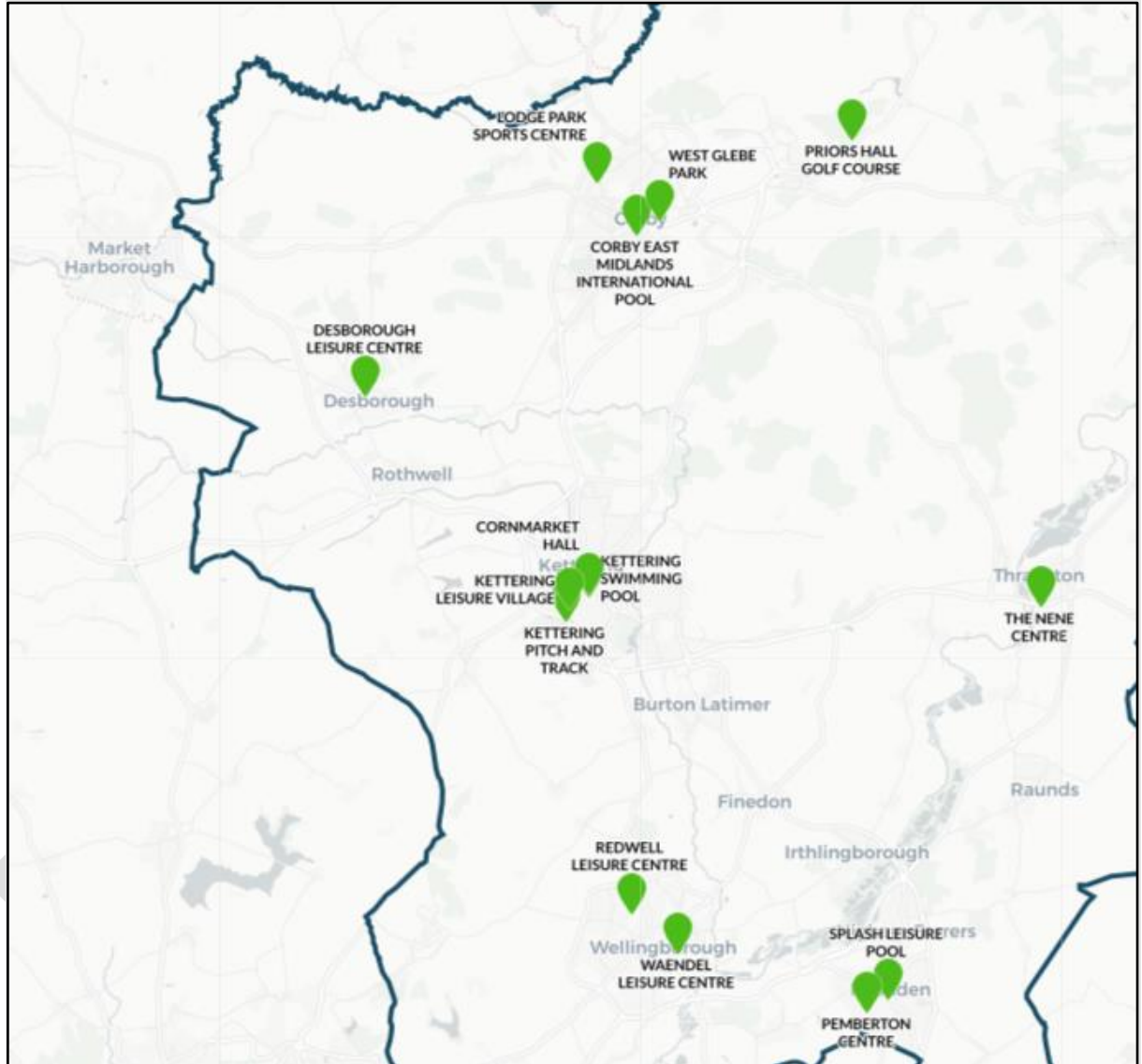
Previous location of health services on site, such as the Community Midwives Hub, was an excellent example of using leisure venues for wider health services, making health services more accessible to local communities.

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



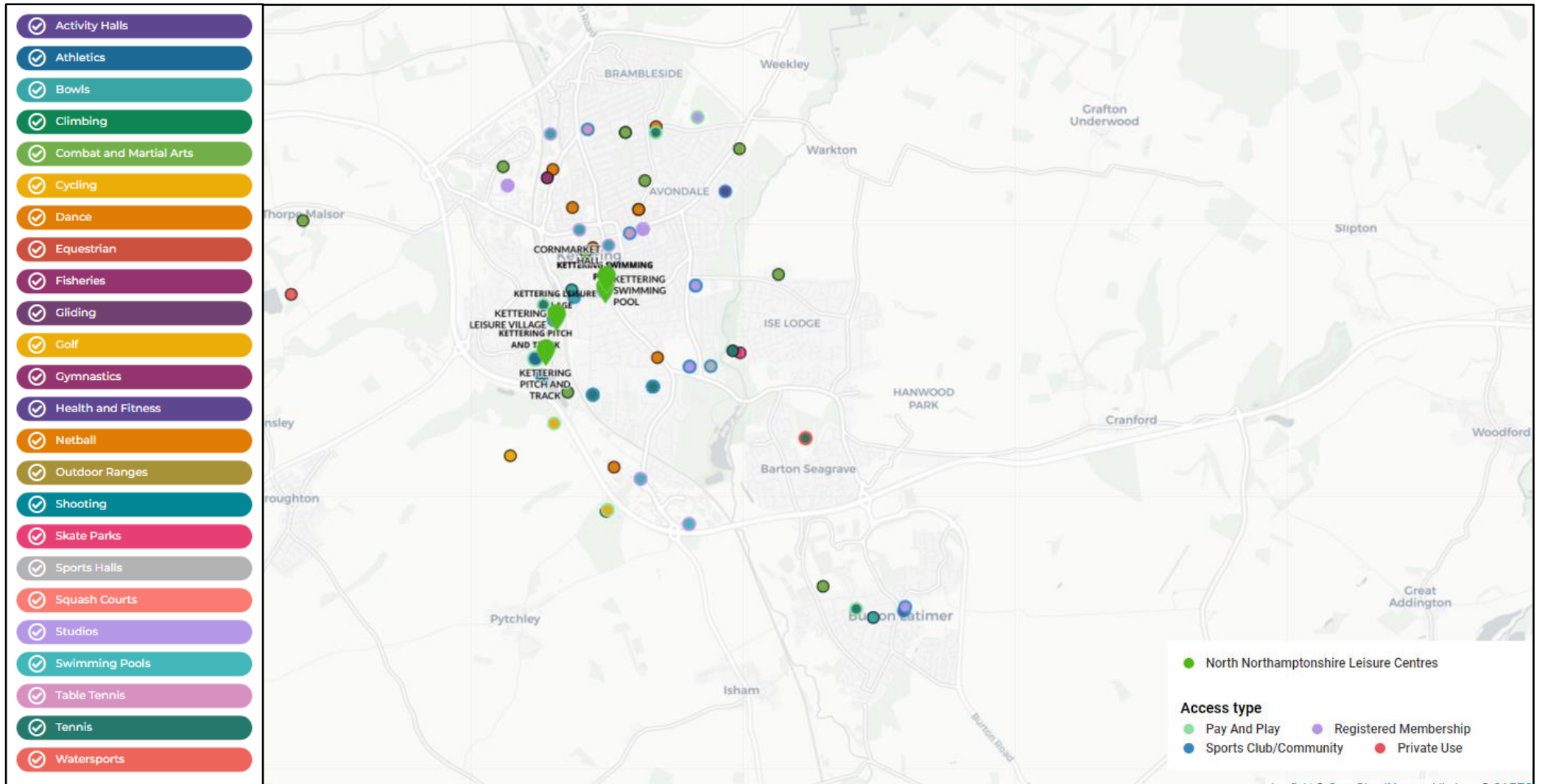
- 4.2. **Kettering Leisure Village** – The site is situated to the south of Kettering town centre. It is well placed with easy access to Junction 8 of the A14 as well as being surrounded by residential areas. It is opposite Kettering Pitch and Track and is in close proximity to primary and secondary 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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/>.



Map 3 – Private, Club and Education Leisure Provision

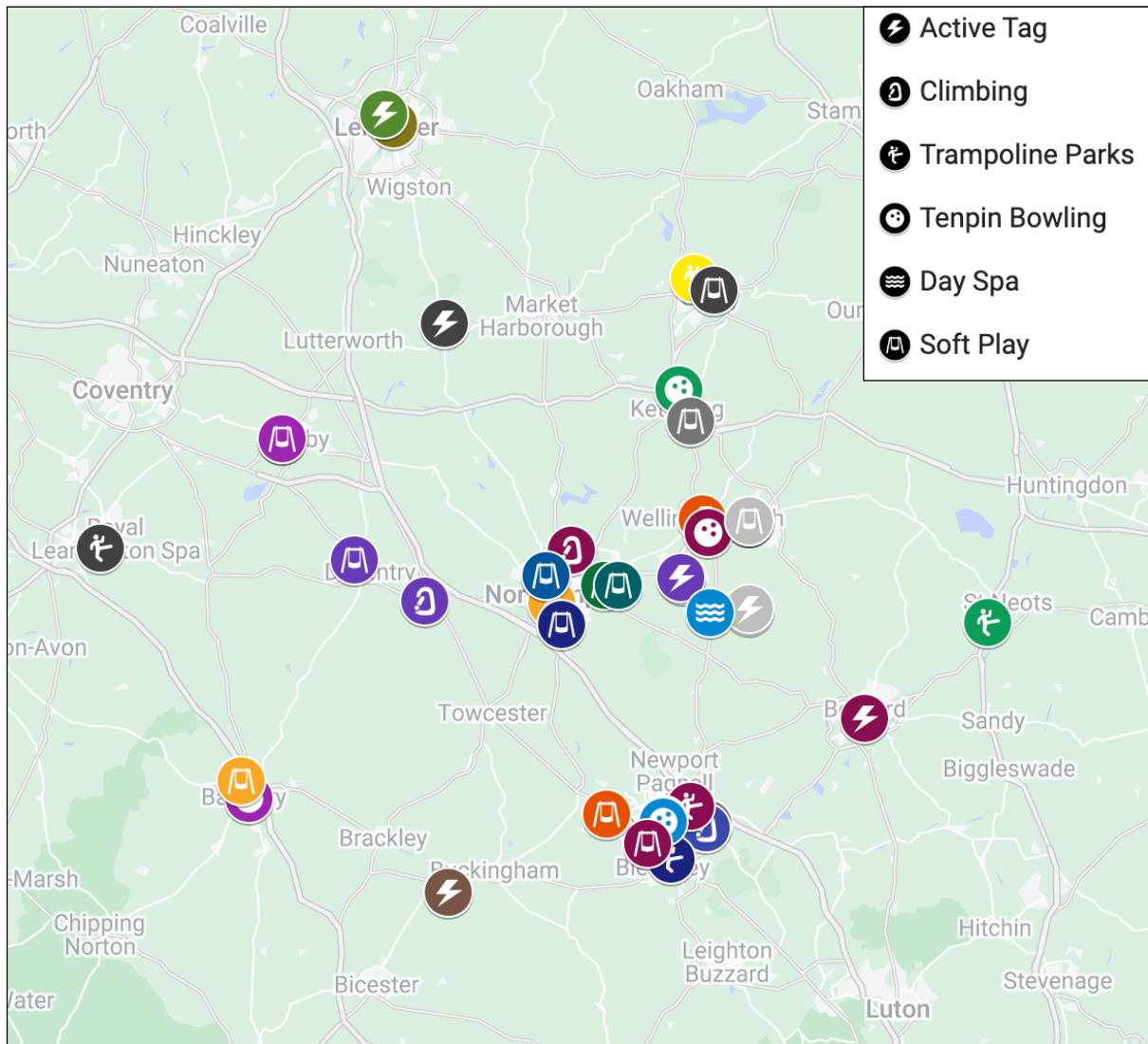


- 4.8. Within Kettering there is other sports hall provision located within schools, but these are limited to club use only and do not allow casual pay and play activities. The facilities planning model<sup>1</sup> has highlighted that, should KLV sports hall close, there will be a shortfall in sports 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.

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<sup>1</sup> 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**

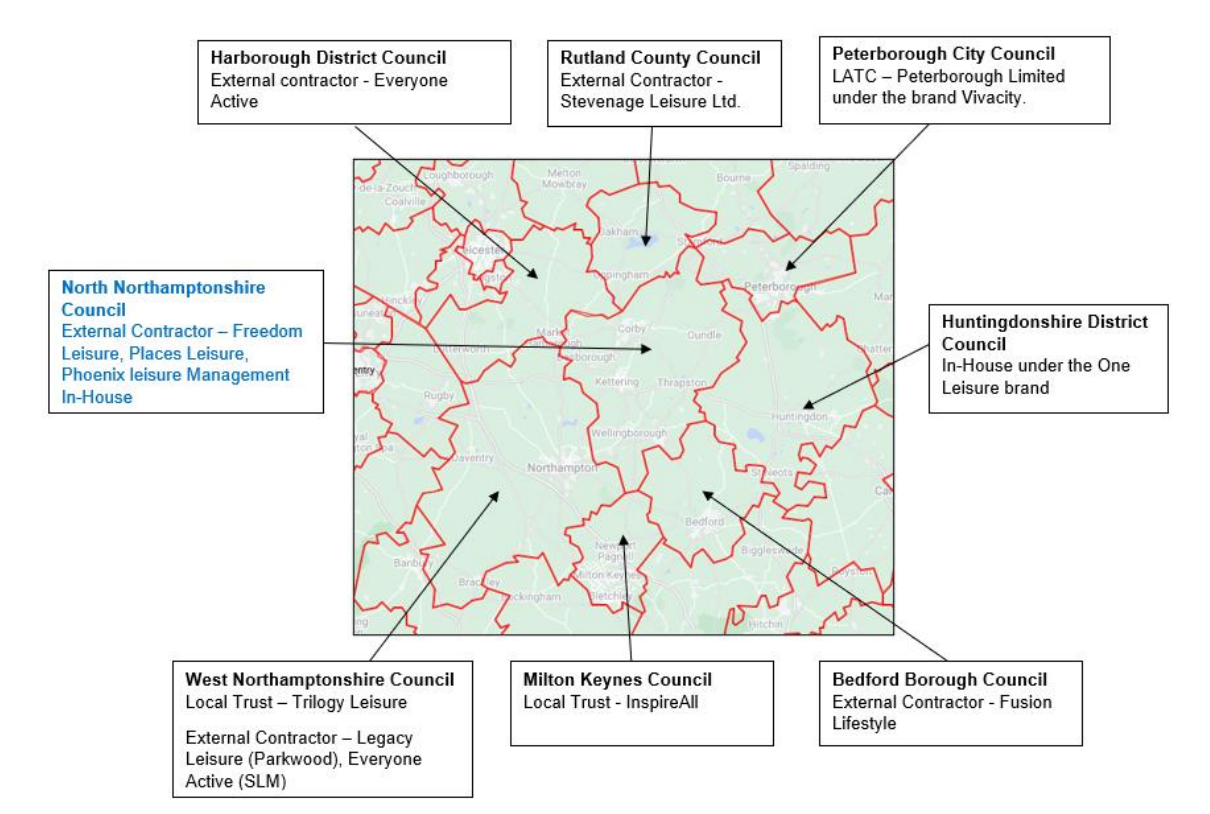
4.12.1. The map overleaf shows the current management arrangements in neighbouring local authorities.

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 Teckal<sup>2</sup> 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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<sup>2</sup> 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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Table 4 – Advantages and Disadvantages of Potential Management Models

Option	Financial	Quality	Risks & Other Considerations
External Contractor	<b>Advantages</b>	<b>Advantages</b>	<b>Risks</b>
	<ul style="list-style-type: none"> <li>Undertake a competitive process to manage services</li> <li>Gain the benefits of organisation already set up to maximise VAT and NNDR efficiencies, which is reflected in management fee (although noted at North Northants the cost of NNDR relief remains with the Council)</li> <li>Commercial with health and fitness membership sales, swimming lesson income, catering and retail</li> <li>Is specialised in operating these facilities</li> <li>Economies of scale in purchasing utilities, R&amp;M contracts, fitness equipment etc.</li> <li>Profit share mechanism in place. (Although if contract doesn't perform to projections, no benefit to the Council)</li> <li>The Council has an agreed management fee profile, which gives budget certainty and ability to plan for the medium - long term. Robust contract documents and service specification, along with a robust procurement process will minimise any risk of an operator seeking further financial support during the contract period.</li> <li>Can deliver large scale development projects and will provide the Council with cost certainty for a project or scheme. (Funding would be from the Council)</li> </ul>	<ul style="list-style-type: none"> <li>An output-based contract can be developed linked to current Council priorities, so the Council does not need to be involved in day-to-day operations</li> <li>Links with NGBs, suppliers and other physical activity providers in implement new programmes / activities across their portfolios</li> <li>Head office specialists enable operations to be the 'latest' in the market. Enables best practice from several contracts to be disseminated across facilities</li> <li>Likely to be better placed to successfully operate in a competitive commercial fitness market</li> <li>Branding and marketing strong</li> <li>Generally, have well-structured Quality Management Systems covering general operations, H&amp;S, all product areas etc.</li> <li>Many operators have experience of a diverse mix of facilities, including theatres and events venues.</li> </ul>	<ul style="list-style-type: none"> <li>A contract and specification that ensures roles and responsibilities are clearly defined between the parties</li> <li>Income risk and some expenditure risk transferred to the operator</li> <li>Larger operators are able to 'spread' the risk of the contract across their company</li> <li>Contractors and, in particular, those with 'hybrid trust' structures, may propose that risk on loss of NNDR and VAT relief, even where their structures are eligible for such relief, remains with the Council</li> <li>Partners are becoming increasingly unlikely to accept risk on utilities tariffs, LGPS pension contributions; NJA salary rises above inflation and building structure of older buildings</li> <li>Contracts will include pandemic related clauses, with risk remaining with the Council. Should another Covid event happen then they will require the Council to bear the cost e.g. under an open book arrangement.</li> <li>Financial risk premiums may be built into the tender price, depending on the level of risk retained by the Council.</li> </ul>
	<b>Disadvantages</b>	<b>Disadvantages</b>	<b>Other Considerations</b>
	<ul style="list-style-type: none"> <li>Will want a contract / risk profile to protect against impact of Covid or similar circumstances in the future</li> <li>If NNDR relief granted there will be a cost to the Council.</li> </ul>	<ul style="list-style-type: none"> <li>Operations can be 'corporate' as opposed to locally led</li> <li>Operator from larger organisations likely to wish to use own branding and corporate procedures for core income generating activities; fitness and swimming lessons</li> </ul>	<ul style="list-style-type: none"> <li>The Council will have to undertake a compliant (OJEU) procurement procedure to select a new operator</li> <li>Cost of procurement and monitoring; officer and external support</li> </ul>

Option	Financial	Quality	Risks & Other Considerations
	<ul style="list-style-type: none"> <li>Changes to the specification / contract require a variation that can affect the management fee and can incur legal costs</li> <li>The Council is obliged to fulfil its responsibilities or be subject to a claim from the operator</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>If there are financial difficulties in the contract, then other services such as outreach work are typically the services to be reduced/removed first</li> <li>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</li> <li>It can be harder to work with other partners effectively; other council departments, education, active partnerships etc.</li> </ul>	<ul style="list-style-type: none"> <li>Timescales – c.12 months including mobilisation and dependent on procurement route.</li> <li>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.</li> </ul>
Option	Financial	Quality	
LATC	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>New investment opportunities can be negotiated at any time during the contract period</li> <li>Can maximise VAT and NNDR efficiencies</li> <li>Operate commercially</li> <li>Support services – can purchase from the industry (e.g., marketing) or Council (payroll)</li> <li>All profits are re-invested back into the services / facilities, ensuring local investment</li> </ul>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>LATCs can deliver a wider range of service offerings including sports development/outreach, health interventions, library services, cultural services and special events</li> <li>Closer links with the community through local organisation</li> <li>Single focus on service delivery</li> <li>Staff feel more involved in the service delivery as not part of a large organisation</li> <li>Set up and deliver community led co-produced programmes to have real impact on residents</li> <li>Perceived there is a better ‘partnership’ approach</li> <li>Providing the authority with more direct strategic control over the service than a third party would</li> <li>Can be politically more appealing as the authority is the shareholder</li> <li>High level of control retained</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>A contract and specification that ensures roles and responsibilities are clearly defined between the parties, but ultimately risk remains with the Council</li> <li>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)</li> <li>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</li> <li>Reputational impact for the Council if organisation not successful</li> <li>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</li> </ul>
	<p><b>Disadvantages</b></p>	<p><b>Disadvantages</b></p>	<p><b>Other Considerations</b></p>
	<ul style="list-style-type: none"> <li>Less able to withstand significant changes in leisure trends</li> </ul>	<ul style="list-style-type: none"> <li>A board of trustees / directors need to be recruited</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>

Option	Financial	Quality	Risks & Other Considerations
	<ul style="list-style-type: none"> <li>• If NNDR relief granted there will be a cost to the Council.</li> <li>• No other contract/sites to absorb poor financial performance</li> <li>• Few economies of scale realised</li> <li>• High central costs may reduce levels of potential surplus</li> <li>• 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.</li> <li>• Significant one-off set up costs</li> </ul>	<ul style="list-style-type: none"> <li>• All operational procedures would have to be developed by the new organisation</li> <li>• No expertise from a 'head office'</li> <li>• Expertise re. market led product development may need to be bought in or learned as products mature in the industry</li> <li>• Marketing and branding expertise will need to be developed</li> <li>• Can have a more relaxed approach to monitoring (for example with no deduction mechanism) in place, which can lead to service delivery issues</li> </ul>	<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"> <li>• There will need to be suitable lease / contract / funding agreement / services specification set up between the new organisation and the council</li> <li>• Timescales – c.12 months</li> </ul>
In-house	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Council does not pay for any risk premiums, can easily change service inputs to meet budgetary requirements</li> <li>• Share support costs with other departments</li> <li>• Economies of scale normally achieved in utilities purchasing</li> <li>• Effective purchase ledger and accompanying budget monitoring systems in place</li> <li>• Low costs in providing capital <b>if</b> the Council has access to it</li> <li>• The Council has experience of managing large scale investment projects</li> <li>• Potential access to Developer contributions to invest in facilities</li> <li>• 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.</li> <li>• Benefit from new VAT guidance treating leisure services as 'non-business' with no irrecoverable VAT costs.</li> </ul>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Increases Council control over leisure services</li> <li>• More effective cross department working; public health, education, open spaces and community development</li> <li>• Officers have autonomy to make local decisions</li> <li>• Members / officers feel that they 'own / have control' of the services</li> <li>• Changes in priorities can be implemented quickly</li> <li>• Joined up service provision for residents</li> <li>• In-house teams can deliver a wider range of service offerings including sports development/outreach, health interventions, library services, cultural services and special events</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• All control and risk sits with the Council</li> </ul>
	<p><b>Disadvantages</b></p>	<p><b>Disadvantages</b></p>	<p><b>Other Considerations</b></p>

Option	Financial	Quality	Risks & Other Considerations
	<ul style="list-style-type: none"> <li>Higher staffing costs due to Council terms and conditions</li> <li>Increased costs due to staff being able to access the LGPS</li> <li>Additional resource may be required within the Council to support the initial transfer of the site e.g., HR and finance</li> <li>Budget set year on year and may be subject to reductions with changing priorities of council or central government</li> <li>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.</li> <li>Limited access to the benefits of economies of scale compared to a UK-wide operator</li> <li>Cost management can be inhibited by having to use local authority systems and reporting</li> <li>No 'sinking' fund in place for future lifecycle building works and equipment replacement. However, a capital programme could be developed by the Council</li> </ul>	<ul style="list-style-type: none"> <li>Limited access to the benefits of economies of scale</li> <li>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.</li> <li>Officers must use council procedures / contracts in areas that are not as effective / suitable for the services, for example recruitment / ICT / marketing and branding</li> <li>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</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Existing Council team has experience of managing investment projects/programmes</li> <li>Additional resource requirements would need to be considered within property, finance etc. additional revenue may be required to support this.</li> <li>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.</li> </ul>

## 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
<b>Achieving income projections</b>	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
<b>Managing operational expenditure</b>	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
<b>Utility tariff</b>	All risk with Council	All risk with Council	All risk with Council – any leisure contract procured would need to have an energy benchmarking clause
<b>Utility consumption</b>	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
<b>Repairs and Maintenance liability</b>	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
<b>Long term financial planning</b>	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)
<b>Services are delivered in line with strategic priorities</b>	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
<b>Pandemic Risk</b>	All risk with Council	Will require specific clauses, with risk remaining with council	Will require specific clauses, with risk remaining with council
<b>Pensions</b>	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
<b>NNDR</b>	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
<b>VAT Relief on income</b>	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
<b>Council reputation</b>	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
<b>Staffing Costs</b>	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
<b>Total Income</b>	<b>£2,552,400</b>	<b>£2,552,400</b>	<b>£2,552,400</b>
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
<b>Operational Expenditure</b>	<b>£3,215,217</b>	<b>£2,798,916</b>	<b>£2,822,888</b>
Central Support Costs (HR, finance etc.)	£178,668	£127,620	£255,240
Surplus/Profit	£0	£102,096	£51,048
<b>Total Expenditure</b>	<b>£3,393,885</b>	<b>£3,028,632</b>	<b>£3,129,176</b>
<b>Deficit</b>	<b>£841,485</b>	<b>£476,232</b>	<b>£576,776</b>
NNDR Relief - Cost to Council	£0	£135,987	£135,987
<b>Total Cost to Council</b>	<b>£841,485</b>	<b>£612,219</b>	<b>£712,764</b>
Current Grant Payment	£357,362	£357,362	£357,362
<b>Increased cost to NCC</b>	<b>£484,123</b>	<b>£254,857</b>	<b>£355,402</b>

- 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 &amp; 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 &amp; 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>

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## 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**

<b>External Contractor - Procurement</b>	
<b>Action</b>	<b>Timescale</b>
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
<b>Total (some works streams can be completed in parallel)</b>	<b>c.12 months</b>
<b>Set up LATC</b>	
<b>Action</b>	<b>Timescale</b>
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
<b>Total (some works streams can be completed in parallel)</b>	<b>c.12 months</b>



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
<b>Total (some works streams can be completed in parallel)</b>	<b>c.6 months</b>

- 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
<b>TOTAL COST</b>	<b>£353,000</b>	

\*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
<b>6 months prior to commencement:</b>			
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
<b>3 months prior to commencement:</b>			
HR Manager - TUPE consultation etc.	45,000	54,000	13,500
Admin (part-time)	15,000	18,000	4,500
<b>1 month prior to commencement:</b>			
Admin team	30,000	36,000	3,000
<b>TOTAL</b>			<b>123,000</b>

## 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
<b>Total</b>	<b>£80,000</b>

## 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 Vehicle<sup>3</sup>

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
<b>Principal features</b>	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> .
<b>Principal Legislation</b>	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
<b>What role for council</b>	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.
<b>Can the Council award a contract to it directly without a tender exercise?</b>	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)

<sup>3</sup> Deborah Down 25<sup>th</sup> September 2020 © Sharpe Pritchard LLP

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
<b>Appropriate for contract model retaining control?</b>	Yes	Yes	No	No
<b>Appropriate for arms' length contract?</b>	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
<b>Appropriate for asset transfer</b>	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)
<b>Governing document (see also below on charity registration and NNDR)</b>	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
<b>Regulator</b>	Companies House	Companies House plus independent CIC Regulator	Charity Commission	Financial Conduct Authority
<b>Can it register as a charity?</b>	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
<b>NNDR charitable exemption available (see note 3)?</b>	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 <b>only</b>	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 <b>only</b>	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 <b>only</b>
<b>Indirect taxation benefits available especially VAT?</b>	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.	
<b>Speed of incorporation (without separate charity registration)</b>	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.
<b>Other considerations</b>	<ol style="list-style-type: none"> <li>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.</li> <li>2. If NNC is interested in working with another local authority, then a Teckal company can be set up controlled by two local authorities.</li> <li>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.</li> <li>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.</li> </ol>			

## 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 <sup>4</sup>	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.

<sup>4</sup> 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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