

Detailed Options Appraisal

Option	Financial	Quality	
External Contractor	Advantages <ul style="list-style-type: none"> • Undertake a competitive process to manage services. • Gain the benefits of organisation already set up to maximise VAT and NNDR efficiencies. • More commercial with health and fitness membership sales swimming lesson income, catering and retail • Economies of scale in purchasing utilities, R&M contracts, fitness equipment etc. • Profit share mechanism in place. (Although if contract doesn't perform to projections, no benefit to the Council.) • The Council has an agreed management fee profile, which gives budget certainty and ability to plan for the long term. • Can deliver, large scale development projects and will provide the Council with cost certainty for a project or scheme. (Funding would be from the Council). 	Advantages <ul style="list-style-type: none"> • An output-based contract can be developed linked to current Council priorities, so the Council does not need to be involved in day-to-day operations. • Links with NGBs, suppliers and other physical activity providers in implement new programmes / activities across their portfolios • Head office specialists enable operations to be the 'latest' in the market. Enables best practice from several contracts to be disseminated across facilities. • Likely to be better placed to successfully operate in a competitive commercial fitness market. • Branding and marketing strong. • Generally, have well-structured Quality Management systems covering general operations, H&S, all product areas etc. 	Risks <ul style="list-style-type: none"> • A contract and specification that ensures roles and responsibilities are clearly defined between the parties. • Income risk and some expenditure risk transferred to the operator. • Partners unlikely to accept risk on utilities tariffs, LGPS pension contributions; NJA salary rises above inflation and building structure of older buildings. • Contracts will include pandemic related clauses, with risk remaining with the Council. • Financial risk premiums built into the tender price
	Disadvantages <ul style="list-style-type: none"> • Will want a contract / risk profile to protect against impact of Covid or similar circumstances in the future. 	Disadvantages <ul style="list-style-type: none"> • It can be harder to work with other partners effectively; other Council 	Other Considerations <ul style="list-style-type: none"> • The Council will have to undertake a compliant procurement procedure to select a new operator.

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	<ul style="list-style-type: none"> • Changes to the specification / contract require a variation that can affect the management fee and can incur legal costs. • The Council is obliged to fulfil its responsibilities or be subject to a claim from the operator. 	<p>departments, education, sports partnerships etc.</p>	<ul style="list-style-type: none"> • Cost of procurement and monitoring; officer and external support • Timescales – c.12 months including mobilisation.
In-house	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> • Council does not pay for any risk premiums, can easily change service inputs to meet budgetary requirements. • Share support costs with other departments. • Effective purchase ledger and accompanying budget monitoring systems in place. • Lower costs in providing capital if the Council has access to it. • In-house teams are able to secure and support external commissions from partners such as Public Health • Benefit from new VAT guidance treating leisure services as 'non-business'. 	<ul style="list-style-type: none"> • Increases Council control over leisure services. • More effective cross department working; public health, education, open spaces and community development. • Officers have autonomy to make local decisions. • Members / officers feel that they 'own / have control' of the services. • Changes in priorities can be implemented quickly. • Joined up service provision for residents. • In-house teams can deliver a wider range of service offerings including sports development/outreach, health interventions, library services, cultural services and special events. 	<ul style="list-style-type: none"> • All control and risk - including trading, operating and management and maintenance risk would remain with the Council.
	Disadvantages	Disadvantages	Other Considerations
	<ul style="list-style-type: none"> • Higher staffing costs due to Council terms and conditions. • Increased costs due to staff being able to access the LGPS. • Additional resource may be required within the Council to support the contract e.g., HR and finance. 	<ul style="list-style-type: none"> • Limited access to the benefits of developing new opportunities and from economies of scale and also to the wider knowledge gained by experienced operators for innovation and development. • Can be slower to react to introduce income generating schemes. 	

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	<ul style="list-style-type: none"> • In-house management is unlikely to enable the local authority to have financial certainty in relation to the cost of the service due to the lack of a contractually fixed cost or management fee. • Budget set year on year and may be subject to reductions with changing priorities of Council or central government. • Central/support costs of the Council can be arbitrarily included in leisure budgets and disproportionate to overall service delivery. • Any savings made within the service will go to the general fund and may lead to a reduced budget in the following year, not re-invested into the service / facilities. • Cost management can be inhibited by having to use local authority systems and reporting. • No 'sinking' fund in place for future lifecycle building works and equipment replacement. • Significant one-off cost to transfer the service back in-house 	<ul style="list-style-type: none"> • Sufficient resource required to support service delivery and wider outcomes such as sports development. • Without a defined specification, service delivery is often based upon short term priorities. • Often behind in industry innovation and new market led products, (for example, ICT initiatives). • The Council can be slow to react to implement change and is less able to react quickly to a highly competitive fitness market. • Reporting is predominantly about financial and usage performance as opposed to outputs and impacts of the service. 	