Appendix B: Options appraisal for governance of the Phase 1 Sports Pavilion and Pitches

a) In house management

The district council could take the management and maintenance of the sports pavilion and car park “in house”. Set-up costs would include staff and management posts to operate the facility. It would enable the Council to control the activities hosted and all marketing and engagement activity.

This option would allow the Council control over activities and marketing, assuming that the Open Space Steering Group would endorse this approach and allow the operational management, booking arrangements and revenue to remain within the district council to operate the facility as a single unit.

The Council does not own or operate similar sports facilities, therefore has no expertise in this area. With direct responsibility for management and operations all risks rest entirely with the Council. It would require the employment of specialist staff, with no wider pool within the organisation to draw upon to provide resilience.

The Council would be responsible for ongoing expenditure, maintenance, and investment beyond the period where revenue support is available from the Management and Maintenance contribution, which may result in ongoing financial exposure.

The Council would not be eligible for VAT or NNDR (National Non-Domestic Rates) relief, making this a more expensive management option, costs which may need to be passed onto the consumer.

In the early engagement work undertaken by Strategic Leisure Ltd in 2021, this option was the least preferred in a survey of public opinion.

b) Local Authority Trading (also known as Controlled) Company (LATC)

To carry out trading activities for profit, a local authority must establish a company, such that profits made by a wholly or partly owned company can be reinvested in other council services. The company would be liable for VAT and Corporation Tax but would benefit from NNDR and VAT advantages similar to those of a charitable company. It remains in the control of the local authority and does not transfer all the risks in the same way as an outsourcing approach would do, as set out below. Establishing such a company would take substantial time and resource.

c) Outsourced management

Outsourcing operational management and maintenance would transfer risk to the contractor. Ordinarily the contractor would meet all costs but retain revenue less a set contribution to a sinking fund for replacement and repair, but the contractual arrangements could include a management fee, contract subsidy, risk allocation and surplus share.

Providers are commonly Non-Profit Distributing Organisations (NPDOs) and as such may be able to gain NNDR and VAT benefits.

Soft market testing has revealed there could be interest in such a proposal, but feedback suggested this would be for an initial contract period (3-4 years maximum) with a view to extend if the facility prospered as anticipated. Further, the business model would need careful examination to understand whether full on-site management would be required as opposed to a more self-service style approach, in combination with input from local sports clubs and societies.

Given the fact that a short-term contract may be more attractive to the market in the first instance, this option could be treated as a short-term solution until more of the permanent buildings come forward, and reviewed within that later context, see option (d).

d) Council establishes a new social enterprise organisation.

The Council could establish a new social enterprise organisation such as a Community Interest Company (CIC) to hold the asset and use any profit generated for public good. This would require involvement of the local community and would take time and resource to establish.

This would put the asset entirely in the control of the new entity. The risks and responsibilities transfer to the new organisation, which would be financially independent of the Council. If the Council were to set this up, the resource requirement would fall to the Council as there is no mature organisation within Northstowe of this nature to take on the immediate operation of the facility.

This option was not recommended for further development in the revised Strategic Leisure Ltd report.

e) Hub and spoke model

With four permanent community buildings to be delivered by the Council over Phases 1 and 2, the Council could at a later date, either create a new social enterprise to manage all four public buildings (or a subset) to benefit from economies of scale and the ability for cross-subsidise facilities within the portfolio, or transfer the assets to a local, established social enterprise.

By setting back a decision for the longer-term governance solution, it would allow time for the emergence of a community driven social enterprise which could itself be considered to take on multiple buildings to be operated as a single entity.

It should be noted, however, that Strategic Leisure Ltd.'s report suggests that few private companies have emerged to operate the leisure, community and arts facilities that local authorities have divested themselves of as a combined service, instead "contracts tend to be operational management of sports facilities, possibly with sport/health development included, libraries on their own, arts (e.g. large-scale theatres/entertainment venues) on their own, or a combination of cultural services (arts, heritage and libraries). It would therefore appear unlikely that a social enterprise could successfully operate a portfolio of facilities that straddles these functions.

f) Asset Transfer

The district council may wish to consider transfer of the asset to a local organisation, with Northstowe Town Council identified in the SLL report as a possible candidate.

This would transfer the operating risk to a third party. In the case of the town council, also capable of generating any subsidy required longer term, through precept. The Council could make available a portion of the Management and Maintenance Contribution available through the s106 agreement, to assist with running costs in the short term.

The asset transfer, would likely be, as prescribed by the Council's Asset Transfer Policy, in the form of a long lease, but could be a short lease or licence to occupy (neither of which would fall under the Asset Transfer Policy). To comply with the policy any candidate organisation must convince the Council that it has the skills and necessary resources to take on the asset, with appropriate governance and operational management in place; that it has a plan to ensure long-term public access and is able to provide on-going financial support – any transfer would also come with a caveat that if the Council believed that there was a failure to manage the facility appropriately it would require the asset to be handed back. Therefore, it must be acknowledged that Asset Transfer under the adopted policy where the Council holds this fallback position it is not a risk-free proposal.

Strategic Leisure Ltd advises that "The success of a community asset transfer depends on its sustainability, which requires the local authority and the organisation taking on the facility to work together to formulate a robust business plan preferably with the involvement from the local community the facility will serve."

Longer term, the town council, may wish, for example to establish a charity/trust to benefit from VAT and NNDR relief or outsource in a similar manner described in option (d).