

ARDS AND NORTH DOWN BOROUGH COUNCIL

10 September 2025

Dear Sir/Madam

You are hereby invited to attend a hybrid Meeting (in person and via Zoom) of Ards and North Down Borough Council which will be held at the City Hall, The Castle, Bangor on **Thursday 18 September 2025 at 7.00pm.**

Yours faithfully

Susie McCullough
Chief Executive
Ards and North Down Borough Council

A G E N D A

- 1. Prayer
- 2. Apologies
- 3. Declarations of Interest
- 4. Leisure Operating Model from 1st April 2028 (Report attached)

MEMBERSHIP OF ARDS AND NORTH DOWN BOROUGH COUNCIL

Alderman Adair	Councillor Harbinson
Alderman Armstrong-Cotter	Councillor Hennessy
Alderman Brooks	Councillor Hollywood
Alderman Cummings	Councillor S Irvine
Alderman Graham	Councillor Irwin
Alderman McAlpine	Councillor Kennedy
Alderman McRandal	Councillor Kendall
Alderman McDowell	Councillor Kerr
Alderman McIlveen	Councillor McBurney
Alderman Smith	Councillor McClean
Councillor Ashe	Councillor McCollum (Mayor)
Councillor Blaney	Councillor McCracken
Councillor Boyle	Councillor McKee
Councillor Brady	Councillor McLaren
Councillor Cathcart	Councillor Moore (Deputy Mayor)
Councillor Chambers	Councillor Morgan
Councillor Cochrane	Councillor Thompson
Councillor Douglas	Councillor Smart
Councillor Edmund	Councillor Wray
Councillor Gilmour	

Unclassified

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ITEM 4

Ards and North Down Borough Council

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Council Meeting
Date of Meeting	18 September 2025
Responsible Director	Director of Community and Wellbeing
Responsible Head of Service	Head of Leisure Services
Date of Report	10 September 2025
File Reference	
Legislation	Recreation and Youth Service Order (NI) 1986
Section 75 Compliant	Yes ☒ No ☐ Other ☐ If other, please add comment below:
Subject	Leisure Operating Model from 1 st April 2028
Attachments	IN CONFIDENCE - Appendix 1: Council Report, Extension to NCLT Contract July 2021 Appendix 1.1: V4 Analysis of Proposal Appendix 1.2: AND Leisure User Satisfaction Appendix 2: Council Report, Extension to NCLT Contract September 2022 Appendix 2.1: Leisure Contract Extension Evaluation Report Appendix 3: Leisure Insourcing Project Report (LATC) Appendix 4: Council Report, Leisure Transformation Project June 2023 Appendix 5: Financial matters PUBLIC - Appendix 6: Case Studies

1. Background

Members will be aware that the current contract with the Northern Community Leisure Trust will come to an end on 31st March 2028. This contract was extended for 5 years on 1st April 2023, following a 10½ year period which facilitated leisure facilities in the former North Down Borough Council area being operated by the Trust on behalf of Council since November 2012. There are no more opportunities for a contract extension after 31st March 2028 therefore a decision on a way forward is required in good time to allow either contracted services to be returned to Council control, or a new contract opportunity prepared, tendered and implemented. This could include a range of Council's leisure facilities.

Three members workshops have been held (May, June and July 2025) to allow this matter to be discussed and debated, and to facilitate a report on the matter being brought to Council for a decision.

Previous reports presented to Members on this subject matter are attached at **Appendix 1 – Appendix 4** for reference. Members are reminded that these appendices are 'In confidence'.

2. Special Council Meeting

Members proposed at the first workshop in May 2025, that a special Council meeting is convened in September 2025 to allow a decision to be taken on the matter.

3. Scope of Services

If being outsourced, it is recommend that the following leisure facilities being in scope. If Hybrid, only the first two facilities should be included and any relevant outdoor facilities associated with those:

- Bangor Aurora Aquatic and Leisure Complex
- Queens Leisure Complex
- Ards Blair Mayne Wellbeing and Leisure Complex
- Comber Leisure Centre
- Portaferry Sports Centre
- Some outdoor facilities which form part of the above, with some anomalies to be further considered should a decision to outsource be made.

It is further recommended that the following are out of scope, remaining in-house whatever the decision:

- Sports Development
- Existing stand-alone contracts, for example, Origin Gymnastics at Ards Blair Mayne.
- Outdoor facilities - those now transferring to Parks and Cemeteries under the agreed restructure. Outdoor facilities are both cost and labour intensive and current pricing would see very little return on investment for a potential operator. The rationale in restructuring to include outdoor leisure within Parks is to streamline that service for the user rather than have management, marketing and maintenance across several departments. It is anticipated this will improve the service.

As part of the procurement process, pre-market engagement can take place to inform the scope to a certain degree i.e. maintenance requirements, investment requirements, social developments.

4. Possible Operating Models

Members have discussed four possible operating models:

1. Continue with a similar current operating model, whereby facilities in the north of the Borough, including for example Aurora and Queens Leisure Complex, are operated under a contract by a service provider on behalf of the Council (via public procurement exercise), and the other facilities e.g. Ards Blair Mayne Wellbeing and Leisure Complex and Comber Leisure Centre are operated by the Council. This was defined at the workshops as the 'hybrid' model. The breakdown of current in-house / outsourced facilities and associated contract will have to be carefully considered should this option be taken forward, taking into account lessons learnt from the existing model. Therefore, the hybrid model should not be considered as simply a continuation of the status quo.
2. Allow the contract to expire and 'insource' the contracted-out facilities. This was defined as '**fully insourced**'. All leisure facilities and services are owned, operated and maintained by Council.
3. Outsource all leisure facilities (within an agreed scope). This was defined as the '**fully outsourced**' model. Various options are included in this model such as, for example, an Industrial Provident Society (NCLTs status) and a social enterprise model. Specialist operator awarded contract for the operation of all leisure facilities being outsourced via a public procurement competition. Outsourced contract will have to be carefully considered should this option be taken forward, taking into account lessons learnt from the existing contract.
4. Set up an arm's length company owned by the Council to operate its leisure facilities, defined as a Local Authority Trading Company (**LATC**). This model is a form of an inhouse model however with added governance complexities. This option involves the Council using existing legal powers to establish a wholly owned 'not-for-profit' trading company to operate the leisure centres on its behalf. It must be non-profit distributing to achieve the VAT benefits, and to retain the existing National Non-Domestic Rates exemption that applies in Northern Ireland.

4.1 An overview of each of the models

4.1.1 Overview of the current hybrid model

Maintenance	Many of the leisure assets are at the stage where there is dilapidation and major issues arising. For outsourced facilities there is in the current arrangement a division of responsibilities agreement, whereby major repairs and end-of-life replacements are the responsibility of the Council and minor repairs and servicing are with the operator. For in-house facilities all major and minor repairs are the responsibility of Council. There can be challenges when determining priorities, timeframes and budget allocation in the current hybrid model. Regular meetings between assets and property and both leisure providers occur to discuss needs and priorities to help the smooth running of both
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	models, and at times discuss which organisation is in fact responsible for certain works. This requires a lot of oversight and management from the maintenance team, in effect, two different regimes therefore operate side by side.
Utilities	NCLT have consumption targets to meet. Their contribution to utilities is currently capped in the extension agreement to an amount subject to inflation each year, which is deducted from the contract fee as Council pay utility costs directly.
Contract Management	The Councils Leisure Services Officer, reporting to the Leisure Services Manager, has a 'Client Officer' function. The client officer is currently the contract link between the Council and NCLT. Regular informal and formal meetings are set to discuss all operational aspects of the contract. The Leisure Services Officer also assists in managing some leisure capital, sports development and special projects. Experience to date has clearly demonstrated that additional contract and monitoring support is required to properly assist in the monitoring and management of the contract. Managing contracts of this scale and nature is complex. Disputes can arise, which need resourced, and result in longer times required to respond to requests.
Loss of Income Claims/ Latent Defects	Loss of income is relevant to both the Council operating the facilities and NCLT. However, Council losses are experienced naturally and only those which cannot be mitigated against. NCLT losses are claims that require scrutiny and contract-based calculations to be analysed. This is a complex and time-consuming process which does not always result in mutual agreement. Significant officers time, resources and potentially third part arbitration may be required in dealing with loss of income claims. There are significant latent defects which will impact the ability of the operator to provide the service, which would be the case whether the facility is operated internally or externally.
Customers	Customer satisfaction is high for both the Council operated and NCLT operated facilities. Research from other Councils shows that customers don't mind who provides the service as long as the service is of a high quality. There is currently no joint leisure membership across the Borough.
Staff	There are excellent staff in all of the leisure facilities, who deliver a high-quality service to the leisure users. There is generally a good relationship between the Council and NCLT. There is currently unease within both staff teams as there is uncertainty as to who their employer will be from 2028 and if their jobs are secure.

	The Council and NCLT compete against each other to recruit staff. NCLT are able to recruit quicker. There is no collaboration in the development of job descriptions. There are significant differences between the Council and the NCLT contracts in relation to terms and conditions.
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4.1.2 Continue with Hybrid Delivery

Cost Certainty	- Greater cost certainty for outsourced element (via new contract going forward). - Less cost certainty for inhouse element (income growth and expenditure control).	
Control and operational risk	<i>Inhouse Element</i> - Full control of day-to-day operations, expenditure, income, pricing and programming. - Operational risks sit with Council. - Energy tariff & consumption risks sit with the Council. - Council is responsible for day-to-day and major maintenance & replacements.	<i>Outsourced Element</i> - Partial control via contract. - Operational risk transferred to operator. - Utility consumption risk sits with the operator. - Operator responsible for day-to-day maintenance. - Council is responsible for major maintenance & replacements- requiring a significant resource.
Service user relationships	- Inconsistent service delivery and pricing models for rate payers. - Limited scope for multi-facility membership packages.	
Staff relationships	- No impact on Council staff. - Potential impact to NCLT staff if operator should change.	
Delivery of the Leisure Strategy and Council Outcomes	- Inhouse element - budget and resource allocated to deliver the Leisure Strategy/ Corporate Plan. - Outsourced element - output-based contract would be developed linked to priorities identified in the Leisure Strategy/ Corporate Plan. - Overall lack of integration and competing priorities.	

4.1.3 Move to Fully Inhouse Delivery

Cost Certainty	Less cost certainty for inhouse element (income growth and expenditure control), but any financial benefits are fully enjoyed by Council, for example as in recent years in Ards Blair Mayne, income exceeding targets.
Control and Risk	- Full control of day-to-day operations, expenditure, income, pricing and programming. - Operational risks sit with Council. - Energy tariff risks sit with the Council. - Utility consumption risk sits with the Council- potential for savings. - Council is responsible for all maintenance and replacements.

Service user relationships	• Consistent service delivery and pricing models for rate payers. • Opportunity for multi-facility membership packages.
Staff relationships	• Expected equalisation of terms of conditions, pay rates and pensions for staff transferring from NCLT to Council resulting in staff parity (There is a cost associated with this). • Assimilation of two separate leisure operations into a fully integrated efficient and effective 'customer focused' service. This will require further transformation in operations as the two services have a number of different systems and processes in place.
Delivery of the Leisure Strategy and Council Outcomes	• Budget and resource allocated to deliver the Leisure Strategy, Corporate Plan and Community Plan.

4.1.4 Move to Fully Outsourced Delivery

Cost Certainty	• Greater cost certainty (via new contract going forward).
Control and Risk	• Partial control via contract. • Operational risk transferred to operator. • Energy tariff risks sit with the Council, if the current contractual arrangement is used in the future. • Utility consumption risk sits with the operator. • Operator responsible for day-to-day maintenance. • Council is responsible for major maintenance and replacements requiring a robust contract and a management/ oversight resource. This could be negotiated out through the use of a full repair and maintenance contract which may appeal to some operators. However, a part maintenance and replacement contract is likely to be the acceptable model for any new contract, if a value for money contract was to be put in place.
Service user relationships	• Consistent service delivery and pricing models for rate payers. • Opportunity for multi-facility membership packages.
Staff relationships	• Existing Council staff would transfer to outsourced provider via TUPE with terms and conditions protected within that role. • Staff and Union opposition.
Delivery of the Leisure Strategy and Council Outcomes	• Output-based contract would be developed linked to priorities identified in the Leisure Strategy, Corporate Plan and Community Plan.

4.1.5 Potential Benefits of unifying delivery (Insourced or outsourced)

- One leisure service across the Borough (programmes, membership, costs to the user, marketing, communications, pricing).
- One service overseen by Council (either direct or via contract monitoring). This could lead to aligned strategic delivery, benchmarking, unified KPI's, unified monitoring and evaluation and financial reporting, streamlined management and maintenance regimes.
- Greater potential to recruit staff as not competing for staff in a limited market.
- The ability to utilise staff across all sites to meet operational needs.

- Greater potential for the cross use of facilities, for example, when events are on, breakages or maintenance downtime occurs, opening or closing of facilities to maximise savings at off-peak times.
- One operator efficiency and the single focus by one operator, for example on: staff, core functions, programming, training, monitoring, benchmarking, maintenance, staff structures, Council influence and alignment.
- The ability to deliver events across all sites.
- Greater potential to develop pathway opportunities, for example: in coaching, volunteer, talent, performance, and utilising better the complimentary nature of different offerings in different leisure centres.
- Consistent and more efficient approach to maintenance.
- Greater potential for cost savings through collective procurement, either by making a larger offering available to a contractor (outsourced only) or by being able to achieve better value for money in any procured items or service (both models).

NB: Continuing with a hybrid model is not continuing with the status quo. A new contract would be developed and issued which can lead to changes to any contractual terms. The provider may change as well.

4.1.6 Governance and Control – Outsourced

- Following contractual negotiations, a contract is developed and agreed between Council and the successful outsourced party.
- In the current structure the NCLT is responsible for the contract and has an agreement with SERCO as their management agent to act on behalf of the Trust in satisfying the Trust's contractual obligations to the Council to deliver leisure services. Any future governance structures would need to be agreed.
- Risk is shared between the Council and the provider and is detailed in the contract. Operational risk is transferred to operator. The level of risk transfer will depend on the contract which will be reflected in the contract cost.
- Control of the service by Council is reduced as detailed in the contract.
- Maintenance requirements are detailed within the contract (Current contract is a part maintenance contract).
- A client officer is currently in place as the contract link between the Council and NCLT /SERCO. Regular informal and formal meetings are set to discuss all operational aspects of the contract. Additional contract and monitoring support will be required to assist in the management of any future contract.
- There are quarterly board meetings and quarterly reports provided to the Council.

4.1.7 Governance and Control – LATC

- A form of an inhouse model however with added governance complexities.
- Appropriate, detailed and up to date rules and regulations provide the governance.
- Required key legal documents and arrangements to be put in place.
- Paid Executive and Directors are appointed by the Council then Directors act in accordance with company law.
- Council would have no day-to-day control.
- Potentially more flexibility provided to the LATC from the Council i.e. procurement contracts.
- The LATC must be non-profit distributing to achieve the VAT benefits, and to retain the existing NNDR exemption that applies in Northern Ireland.

A Leisure Insourcing Project report by V4 Consultants which includes LATC information was previously presented to Members and is included at **Appendix 3** for reference. Members are reminded that this appendix is 'In confidence'.

A number of Case Studies previously provided to Members at one of the workshops showing different approaches taken by Councils across the UK; attached at **Appendix 6** for reference.

5. Key Considerations

Members at the workshops considered a number of key areas in relation to the decision in question, including:

- The degree of control and influence Council wishes to have on its leisure services, and how this control is exercised
- A transfer or retention of operating risks
- Financial considerations of operating models
- Staffing and Customer/User considerations

5.1 Degree of control and influence Council wishes to have on its leisure service, and how this control is exercised

If Council moves to a fully in-house model, Council will have full control and Council Officers would deliver the service under Council direction, policy and procedures.

If Council outsource (either fully or hybrid) partial control of the delivery of leisure services across the borough could be maintained. For example, for outsourced elements, an output /outcome-based contract can be developed aligned to current Council priorities and if so, should be closely monitored for compliance. Any changes to priorities would be dealt with under the contracts change control processes.

The level of control can be negotiated during the contract development stage. As a general rule, the greater the level of control the Council would exercise, the less financially favourable it may be for Council.

A Social Value framework can be adopted to any operating model which could act as one framework for setting and measuring outputs and outcomes. This could be applied to any of the models. Social Value is about understanding the full worth of a service, place or project – not just in terms of money, but how it benefits people, communities and the environment. Examples are as follows:

Social Value Framework development by Council

- The Parks and Cemeteries team is currently working with Queens University on a pilot project to measure Social Value (Pilot subject: Bangor Castle Walled Garden) based on a model developed by Edinburgh City Council and specifically designed to measure the value of parks and open spaces.
- This is very different to the model used by NCLT.

Social Value Framework adopted by NCLT

- SERCO on behalf of NCLT as its delivery agent has adopted the [DataHub Social Value framework](#), which utilises evidence based academic research, undertaken by Sheffield Hallam University and funded by DCMS and Sport England. The Q1 2025 Serco report shows an average of £64 social value return on investment per person across the Serco sites.

5.2 Transfer or retention of operating risks

If services are all in-house, the trading and operational risk would sit with Council. Income projections for example if not achieved may lead to a budget overspend for Council, so this brings a level of cost uncertainty. On the same theme, if Council exceeds its income projections, all the benefit falls to Council.

If services are all outsourced all trading/ operational risk in relation to income growth, cost control and projections will be transferred to the outsourced provider and would have no impact to Council. If the operating environment is not favourable and costs are exceeded or income reduced, the risk is not the Councils. Therefore, this model provides greater cost certainty for Council.

Risks associated with exceptional circumstances may be retained by the Council (compensation events). An outsourced operator can pursue a loss of income claim for any closure or gap in ability to provide a service due to reasons which fall within the Council's responsibility to address. The net financial impact should in principle be broadly similar regardless of who is operating the facility, as an outsourced operator would have an obligation to mitigate the impact on the Council and the Council would be incurring the cost anyway were it operating in-house.

Any loss of income would require a due diligence process to be carried out by Council to ensure the net financial impact has been mitigated and to ensure the loss is based on appropriate evidence.

The level of risk transfer for an outsourced contract can be negotiated during the contract development stage however the greater level of risk transfer the Council would exercise, the less financially favourable it may be for Council.

5.3 Financial Considerations

Financial information was previously provided to Members at the workshops to provide Members with further clarity around the potential financial risks and benefits associated with in-house and outsourcing models.

The full cost to Council of running leisure facilities if outsourced is made up of two elements:

- those outsourced to an operator and
- those retained by the Council as part of the outsourcing contract.

Outsourcing is unlikely to transfer all costs to a third party and therefore when considering models Council must take into account the costs it retains rather than simply the cost of operations.

Historic Information

The tables below illustrates that over the past 10 years the outsourced model has cost Council less than the insourced model, but the gap has narrowed over time with the inhouse becoming

cheaper in 2025, although this is almost entirely due to the extensive maintenance issues associated with Aurora which would have happened regardless of the operating model. Members will be aware that the facilities and services operated by the Trust are not identical to those operated directly by Council and therefore it is not possible to know, based on these numbers, what the costs of a different operating model would have been for either group of facilities.

In house	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contract Payments	-	-	-	-	-	-	-	-	-	-	-
Direct Costs	2,505	2,500	2,527	3,256	3,054	1,969	2,403	3,129	3,374	3,676	28,393
Income	(1,772)	(1,671)	(1,681)	(1,909)	(2,551)	(282)	(1,792)	(2,662)	(2,896)	(3,669)	(20,886)
Maintenance	41	20	42	79	96	159	199	375	368	359	1,739
Tariff Risk	-	-	-	-	-	-	-	-	-	-	-
Utilities	245	247	42	185	364	198	306	798	509	512	3,405
Total Cost to Council	1,019	1,095	929	1,611	963	2,043	1,115	1,640	1,355	879	12,650

Outsourced	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Cost to Council (including payments to operator and Council expenditure)	470	324	297	490	592	1,643	1,077	1,514	1,306	1,946	8,985

Indicative future information

The information previously provided was developed drawing upon information from independent work carried out previously by consultants. The historic reports produced were not subjected to due diligence review as the process at that time was halted before completion and contains numerous projections and assumptions. The report provided should therefore be viewed as **an illustrative tool** only among other pieces of information to assist Members in the decision-making process. These figures are available in appendix 5 and Members are asked to note they are commercial in confidence.

5.3.1 Income

At the time, of the previous analysis by the consultant, both NCLT and the in-house team were projecting significant increases in income, around fitness. In the main, both the in-house and outsourced services are currently financially performing well, and in the case of Council better than target.

If services are all in-house, income projections is only a budget projection and if the income projections are not achieved, this will lead to a budget overspend for Council, so this brings a level of cost uncertainty. Equally, if as in recent years income projections are exceeded, in an insourced model Council and its ratepayers receive all of the benefit.

If services are all outsourced, all risk in relation to income growth and projections will be transferred to the outsourced provider and would have no impact to Council therefore this model provides greater cost certainty for Council. Budgets can be set and therefore expenditure is fixed and certain.

As referenced previously, an outsourced operator can pursue a loss of income claim for any closure or gap in ability to provide a service due to reasons which fall within the Council's responsibility to address. This has happened on several occasions with the current contract. The net financial impact should in principle be broadly similar regardless of who is operating the facility, as an outsourced operator would have an obligation to mitigate the impact on the Council and the Council would also be incurring the impact of reduced income were it

operating in-house. For Council loss of income as an expenditure paid to the contractor in an outsourced arrangement, whereas it would appear as reduced income in an in-house arrangement.

Any loss of income requires a due diligence process to be carried out by Council to ensure the net financial impact has been mitigated and to ensure the loss is based on appropriate evidence.

5.3.2 Staffing and Pension considerations

The main differences with regard to terms and conditions between ANDBC leisure staff and NCLT staff are as follows:

- AND leisure staff work a 36-hour week and NCLT staff work a 37-hour week (this has implications for overtime rate and for how many staff are required to fill rotas).
- NCLT use casuals more than the in-house service. In 2021, Council completed a review of all casual staff to determine their working pattern and determine if they were 'casual' in nature or if they fell within the scope of 'permanent rights'. This review resulted in 7 Council casual employees being offered permanent contracts.
- Membership sales staff in NCLT receive commission-based and performance related bonuses, there are no bonus payments in ANDBC.
- Elements of the management team in NCLT also receive bonus payments.
- The staff sickness scheme is more generous in ANDBC with staff getting up to 6 months full pay and 6 months half pay.
- Annual leave is restricted to 25 days max for NCLT staff – Council goes up further with long service.
- Three staff in NCLT have a company car.
- All staff in Council are eligible to join NILGOSC with 19% employer contribution, in NCLT there are two pensions open to staff with between 3% and 6% employer contribution. The cost increase for the insourced model was estimated at around £640k per annum at today's costs.

It would be expected that a harmonisation exercise for terms and conditions and pay rates for staff transferring from the operator to Council would also take place. As the Council's current contribution rate for pensions is 19% there would also be additional pension costs. It is estimated that costs associated with staff parity, staffing and pensions would account for a significant proportion of the estimated 1.0 - 1.5% rise in the district rates required in the first year of insourcing in 2028/29. This is equivalent to adding between £600k and £1,000k to the Council's budget. The average domestic district rates bill in the Borough for 2025/26 increased by £21 from the previous year. Should insourcing have occurred this year an additional £5 - £9 per annum would have been required to be added to fund this expenditure.

In an outsourcing scenario, staff would likely transfer on current terms and conditions but as new staff are recruited, this would be on the terms and conditions of any future operator. This would be at the operator's risk but would be factored into their business plan. The operator will have to obtain 'admitted body status', which would likely require a Council guarantee before it is granted. Once obtained, then all existing employees would transfer within NILGOSC to the new employer, retaining their continuous service dates and benefits.

This admitted body will likely not be included in the main group of employers using the 19% contribution rate and will instead have its individual contribution rate.

Should a unified service be taken forward, staffing efficiencies and greater staffing utilisation across the service may be made, along with a greater potential to recruit staff from within the wider leisure sector.

The information in the table below shows the breakdown of staff at points in time. The current in-house model is taken from our HR records in June 2025. The outsourced figures are taken from the report produced by V4 in 2022. These are therefore presented for illustration only.

The below figures are not for direct comparison given they are for managing very different facilities at different times.

Current In-house Managed Services	
Staff (FTE)	88.3
Casual hours	13,820
Casual FTE	7.4
FTE	95.7

Current Outsourced Services	
Staff (FTE)	57
Casual hours	19,400
Casual FTE	10.1
FTE	67.1

5.3.3 Utilities

In relation to the outsourced element of the current hybrid model, the contract was developed with the utility consumption risk being the responsibility of the operator and the tariff risk, with Council. The contract for all utilities currently is with Council in order to get the best tariff rate via the NI Councils collaborative procurement exercise.

If all the services were in-house, both the consumption risk and tariff risk would rest with Council. Council has a new Energy Efficiency Officer in post who is currently monitoring the consumption risk against baseline data. Council is currently considering several energy efficiency measures to be put in place to reduce energy costs across the leisure estate.

If services are outsourced (either fully or hybrid), the shared risk and responsibility (consumption risk: outsourced operator and tariff risk: Council) is likely to be the most economic going forward. The consumption baseline will be based on previous year's energy consumption and should take into consideration any energy efficiency measures put in place. Any consumption over the baseline figure will be a financial risk and impact to the operator therefore it's in their best financial interests to keep below the baseline.

5.3.4 Routine repairs and maintenance

In relation to the outsourced element of the current hybrid model, the contract is developed so that the maintenance responsibilities are shared with the outsourced operator completing day to day routine maintenance, and the Council completing any major maintenance.

If all the services are in-house, all maintenance responsibility would rest with Council. Council would need to ensure budgets are in place for major capital expenditure and adequate resources are in place to manage maintenance requirements.

If services are outsourced (either fully or hybrid), shared maintenance responsibility is likely to still be the most economic option going forward. This however brings a level of complexity in terms of defining maintenance responsibilities within the Contract (demarcating what is day to day and what is major maintenance). Maintenance clauses in any new contract would have to be carefully considered to ensure the best interests of Council estate (part maintenance or full maintenance contract).

With aging assets, it is critical that Council has sufficient resource in place to proactively monitor repairs and maintenance obligations under an outsourced contract to ensure the leisure operator is investing sufficient resources to properly maintain the assets and to ensure a routine issue doesn't become a major issue (introduction of penalty clauses). The life cycle investment would be required to be detailed at contract tender stage and would need carefully monitored throughout the contract.

5.3.5 Latent Defects

Any latent defect issues which remain (for example in Aurora, pool floors and roof) will sit with Council, regardless of which model is taken forward.

5.3.6 VAT

As a result of the recent VAT ruling for leisure, Council benefits from not having to charge VAT on a large proportion of its income and input VAT is fully recoverable.

NCLT as a Trust also benefit from not having to charge VAT on a large proportion of its income, but are not able to fully recover all input VAT. The VAT benefit gained is a difficult calculation to make, but for the in-house model in 2023/24 it was estimated at approximately £300k.

The VAT treatment on any future outsourced model would depend on the nature of the model and the contract. It is understood that other operators use different models other than a Trust, e.g. social enterprise, which may enable them to avail of different VAT benefits.

5.3.7 Investment

Like any facilities and aging buildings, investment will always be required; therefore, Council will account for this as part of the capital budget programming process, although an amount has been included in the cost estimates provided in confidence to Members to aid comparison.

In an outsourced scenario, it would be expected to see an element of capital (building and/ or equipment) investment as part of the contract (over and above routine maintenance). The life cycle investment would be required to be detailed at contract tender stage and would need carefully monitored throughout the contract.

5.3.8 Rates

Expenditure on the leisure service in 2024/25 made up 2.4% of Council's overall revenue budget. It had been indicated at the workshops that based on a series of assumptions, the additional costs to insource legacy North Down could mean a need to add in the region of 1-1.5% to the district rate increase in the first year. Whilst this would not be required until 2028/29, if applied to today's budget, it would increase the proportion of the Council's budget spent on leisure facilities to approximately 3.5%. This takes account of additional investment in equipment which was omitted from the inhouse proposal from 2022 which per the workshops, was used as the most recent data comparator for what an insourced North Down would approximately cost.

It is much more difficult to determine with accuracy the precise impact that outsourcing would have as it would be subject to a competitive procurement process. It is also important to note the additional income achieved by Leisure over the past 2 years complicates an analysis (i.e. does the market view this as an anomaly or the new baseline). In an outsourced model, risk is passed to the outsourced operator and without a competitive exercise, it difficult to know how they would cost their proposal given this change in income generation levels.

If Council was to fully outsource, information provided at the workshops outlined that a saving would be likely (albeit the level of the saving has a large degree of uncertainty due to the lack of procurement exercise). For example, if the Council were to make a saving of approximately 0.5% (≈£300k) on the district rate increase and if applied to today's budget, this would reduce the Council's overall expenditure on leisure to 1.9% of the overall budget. If the saving was approximately 0.25% (≈£150k) on the district rate, the saving would reduce the Council's overall expenditure on leisure to 2.2%.

It is important to reiterate that we are trying to compare future costs to a financial scenario which exist today. In reality, costs will always go up, so whichever operating model is selected, in the future, they will all likely cost more than today (due to inflation, aging of facilities etc) when it comes to actually setting a budget.

5.3.9 Budgetary Context

Council's draft budget strategy was presented to Members at a workshop in August and then formally to the Corporate Service Committee earlier this month. This highlights a number of areas of cost pressures such as higher inflation, pay, uncertainty regarding the increase in the domestic rates cap and the need to continue to improve financial resilience. With inflation currently sitting at 3.6% and Council having a need to raise revenue to finance its extensive capital programme, it is likely that this year's rate rise will be higher than last year's, unless Members agree to mitigating measures.

It is also imperative that Council consider this leisure operating model decision in the context of other strategic issues and cost saving/generating opportunities such as potentially changing the kerbside operating model and the potential to increase income from carpark charges.

Other possibilities for managing the additional budget pressure of insourcing would require the implementation of a number of the following initiatives:

- increasing charges by more than inflation, however the additional income is very modest
- redirect savings from energy efficiency measures
- redirecting other income streams
- reverting to the original play park strategy and close the facilities that no longer meet the criteria

- reducing non-essential expenditure in areas such as grants (these were increased for the first time in a number of years last year), economic development and regeneration expenditure (contrary to the corporate plan)
- removing projects from the capital investment plan in order to reduce the 1.45% annual requirement.
- increase the district rate

6.0 Potential cost areas of transitioning into each model

Outsourced	In-house	Hybrid	LATC
Expert leisure consultant and legal provider.	External legal resource required.	Expert leisure consultant and legal provider.	External consultant and legal provider.
Dedicated leisure, HR, procurement and project management resource.	Dedicated leisure, HR, procurement, finance, digital and project management resource.	Dedicated leisure, HR and project management resource.	Dedicated leisure, HR and project management resource.
Costs associated with procurement process.	Costs to integrate previously outsourced into digital systems.	Costs associated with procurement process.	Legal costs associated with development of SLAs and any other associated costs to establish LATC and to close out current contract.
Deferred pension members likely to transfer to Council with a deficit or surplus.	Ongoing cost implications for HR, finance, maintenance and insurance.	Deferred pension members likely to transfer to Council with a deficit or surplus.	Ongoing cost implications for HR, finance, maintenance and insurance if Council is to provide these services.
Exiting contract dilapidation costs.	Deferred pension members likely to transfer to Council with a deficit or surplus.	Exiting contract dilapidation costs.	Deferred pension members likely to transfer to Council with a deficit or surplus.
Monitoring Officer to monitor contract – <i>will be an ongoing revenue cost.</i>	Cost associated with further transformation in operations as the two services have a number of different systems and processes in place.	Monitoring Officer to monitor contract – <i>will be an ongoing revenue cost.</i>	Exiting Contract dilapidation costs.
	Exiting contract dilapidation costs.		Transformation costs.
	Equalisation of T&Cs, pay rates, pensions – will be an ongoing revenue cost.		Equalisation of T&Cs, pay rates, pensions – will be an ongoing revenue cost.

7.0 Update of current profile of leisure across the Borough and current performance

Current performance information for both the inhouse managed services and NCLT managed facilities is below. Members are reminded that no comparison can be made on these as:

- no available comparative bids
- current different operating models and
- potentially a different operator /contract agreement going forward.

7.1 Current usage and membership figures

The current usage figures for each of services provided by Ards Leisure and NCLT is shown below:

Inhouse managed services (2024-2025 data)	Average Annual Usage	Outsourced services (2024-2025 data)	Average Annual Usage
Ards Blair Mayne Wellbeing and Leisure Complex	900,000	Bangor Aurora Aquatic and Leisure Complex	832,966
Portaferry Sports Centre	10,000	Bangor Sportsplex*	49,132
Comber Leisure Centre	200,000	Queens Leisure Complex	72,513
Londonderry Park*	3,000	21 Pitches*	Not known
36 Pitches*	3032 bookings	26 Tennis Courts*	Mostly casual use
18 Tennis Courts*	2999 booked hours Mostly casual use	2 Bowling facilities (24 rinks)*	Not known
3 Bowling facilities (18 rinks)*	88 bookings	1 Foot Golf facility*	Casual use
Sports Development Borough wide* (Grants, Coach Education, Sports Awards, Sports Forum)	-	1 Athletics Track*	Not known
Centre specific Sports Development	-	Centre specific Sports Development	-
61 Facilities		54 Facilities	
88.29 FTE 13,820 Casual Hours		57 FTE 19,400 Casual Hours	

***Recommended not in scope if facilities are to be outsourced**

The current membership for each leisure centre in Ards Leisure and NCLT along with the service use as a % of the Borough adult population is shown below:

Leisure Centre	Current Membership
Ards Blair Mayne Wellbeing and Leisure Complex	5,274
Portaferry Sports Complex	150
Queens Leisure Complex	505
Comber Leisure Centre	1,135
Aurora Aquatics and Leisure Complex	6,550
Bangor Sportsplex	62

Total membership = 13,676

(This equates to 8.76% of the estimated adult 156,000 population of the Borough. (This may be lower as no account taken for multi-memberships).

7.2 Current performance (Non-Monetary)

7.2.1 Inhouse service

Customer Satisfaction

The in-house team run an annual in-house survey on customer satisfaction:

Overall Satisfaction Rate	2023/24 (Jan 2024)	2024/25 (Feb 2025)
Excellent, average, good	96%	95%
Poor, very poor	4%	5%

Net Promoter Score

Net Promoter Score (NPS) is a customer loyalty and satisfaction measurement taken by asking customers how likely they are to recommend your product or service to others on a scale of 0-10. NPS is calculated by subtracting the percentage of customers who answer the NPS question with a 6 or lower (known as ‘detractors’) from the percentage of customers who answer with a 9 or 10 (known as ‘promoters’). This produces a score between -100 and +100. The leisure industry average is +34.

Net Promoter Score (Customer satisfaction survey)	2023/24	2024/25
Ards	47	45
Comber	58	38
Portaferry	15	67

Key Performance Indicators (Attrition and Retention Rates)

Attrition is the number of members who cancel their membership expressed as a percentage of the total membership, industry average in NI is 11% (Source, Explor Technologies Report 2023).

Retention is the number of members who stay expressed as a percentage difference from the start of a period to the end of a period, industry average in NI 89% (Source, Explor Technologies Report 2023).

	2023/24	2024/25
Attrition rate	6%	4%
Retention rate	94%	96%

APSE Northern Ireland Benchmarking 2022/23 and 2023/24 Wet and Dry facilities - Ards Blair Mayne Wellbeing & Leisure Complex

APSE Benchmarking (wet and dry facilities)	2022-23					2023-24				
	Ards Blair Mayne	NI Ranking	NI Averages			Ards Blair Mayne	NI Ranking	NI Averages		
			Low	Average	High			Low	Average	High
Subsidy per visit (excluding Certificate of	£1.42	1 of 20	£1.42	£6.24	£24.44	£1.09	2 of 14	£0.51	£5.62	£15.65

Eligibility for free school meals (CEC) and free school use)										
Net cost per head of population (excluding CEC)	£5.95	5 of 16	£4.88	£7.61	£10.28	£4.77	2 of 12	£0.90	£6.63	£10.99
Customer spend per head	£3.35	5 of 20	£0.91	£3.21	£10.54	£3.52	7 of 14	£0.97	£5.80	£17.01
Staff costs per admission	£3.12	4 of 20	£1.45	£4.69	£9.42	£3.14	4 of 14	£1.74	£5.85	£12.66
Staff cost as a percentage of gross expenditure	65.54%	NA	30.44%	56.93%	71.64%	68.26%	NA	34.25%	59.40%	76.48%
Energy cost per user	£0.93	5 of 20	£0.33	£1.72	£4.40	£0.59	3 of 14	£0.21	£1.38	£3.38
Operational recovery ratio	51.69%	2 of 20	10.71%	37.52%	62.49%	60.33%	3 of 14	20.95%	49.43%	95.34%
Percentage staff absence for leisure services	9.47%	9 of 14	0.63%	8.67%	15.34%	12.09%	9 of 9	1.80%	6.96%	12.09%

APSE Northern Ireland Benchmarking 2022/23 and 2023/24 Dry facilities only - Portaferry Sports Centre/ Londonderry Park and Comber Leisure Centre

APSE Benchmarking - Northern Ireland (dry facilities)	2022-23								
	Portaferry	NI Ranking	L'derry Park	NI Ranking	Comber	NI Ranking	NI Averages		
Subsidy per visit (excluding CEC and free school use)	£36.46	15 of 16	£4.79	9 of 16	£4.59	8 of 16	£0.33	£9.89	£39.71
Net cost per head of population (excluding CEC)	£0.89	4 of 16	£1.89	8 of 16	£2.41	12 of 16	£0.68	£2.07	£6.95
Customer spend per head	£11.02	2 of 16	£2.40	8 of 16	£3.59	5 of 16	£0.61	£3.44	£14.44
Staff costs per admission	£35.80	16 of 16	£4.25	8 of 16	£5.52	9 of 16	£0.97	£6.98	£35.80
Staff cost as a percentage of gross expenditure	75.40%	N/A	59.19%	N/A	67.46%	N/A	28.93%	56.44%	87.96%
Energy cost per user	£5.36	16 of 16	£1.30	10 of 16	£1.10	8 of 16	£0.22	£1.39	£5.36
Operational recovery ratio	20.27%	10 of 16	19.63%	12 of 16	32.70%	6 of 16	4.21%	31.34%	81.52%
Usage per opening hour	2.33	16 of 16	16.63	8 of 16	22.09	6 of 16	2.33	20.97	61.87
Percentage staff absence for leisure services	9.50%	8 of 10	2.04%	4 of 10	6.85%	6 of 10	0.00%	6.18%	14.01%

7.2.2 Outsourced services

Customer Satisfaction

	2023/24	2024-2025
Member Surveys - Would you recommend this Centre to Friends? - To Score an average of 8 across all contracts	8 out of 10	Not known
Mystery Shop Quarterly insight Mystery Shop Provider (audit score)	80%	85%
Stakeholders Net Promoter Score	25%	Not known

Client Score	80%	Not known
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Key Performance Indicators (Attrition and Retention Rates)

	2023/24	2024/25
Attrition rate	4%	3.6%
Retention rate	96%	96.4%

7.3 Staffing Absenteeism Rates

Type	2022-2023	2023-2024	2024-2025
Council wide % absence	7.23%	7.59%	6.73%
Council leisure service absenteeism rate	8.6%	11.19%	7.81%
SERCO absenteeism rate	Not known	Not known	3.4%

Over the last 3 years the percentage absenteeism rate in leisure has been higher than the Council wide percentage rate.

7.4 Pricing models

The prices for Ards Leisure and NCLT leisure are submitted to Community and Wellbeing annually and were submitted to the 11th December 2024 meeting for the 2025-2026 financial year.

Both parties have worked very hard to align prices since 2015 and the formation of a single Council. Some anomalies remain but these can be accounted for in differences in services offered.

There are differences between the offerings in the two main facilities which provide a complimentary offering collectively and an attractive leisure package for all Borough residents. For example, one pool has diving, a 50m pool, and leisure activities such as aqua challenge. The other has a spa/ health and wellbeing facility and two smaller pools which are often suited to different types of users.

The following is a comparison of some of the 2025-26 prices (but again it should be stressed are not completely 'like for like' services).

	ANDBC	NCLT
Swim (Non-member)	£5.20	£5.40
Swimming pool 25-meter lane hire, 1 hour	£13.12	£16.40
Swimming lesson	£7.50	£7.85
Casual gym use	£9.75	£9.75
Fitness class (Adult)	£8.70	£8.60
Court hire, 1 hour	£12.60	£13.00
Soft play	£4.60	£5.00
Studio hire	£37.00	£37.00
Adult swim membership (DD)	£25.50	£34.00
Gym membership	£35.00	£39.00

	ANDBC	NCLT
3g pitch hire, 1 hour	£78.00	£78.00
Grass pitch	£57.00	£57.00
Tennis court per hour	£9.80	£10.25

8. Next steps

Following Council's decision, officers will begin to put in place and implement the required resource and project management structures required to deliver Council's decision to ensure continued operational readiness on 1st April 2028.

Members will be kept informed and engaged with as officers progress with the Council approved decision.

If a decision is made to outsource, (fully or hybrid), a new procurement exercise will be required. Such a process will likely be complex, costly, resource intensive and time consuming, requiring legal and leisure expertise to be brought in along with a dedicated in-house project team. A significant amount of work will be required on financial, operational, HR, utilities, risk, legal matters and facility surveys, as a minimum.

If the decision is to 'insource' currently contracted out services, this will also require a similar scope of additional expertise and resource in order to deliver a smooth and timely completion of the exercise by 2028.

Council cannot run a procurement exercise for "information purposes only" due to the following implications:

- Council Reputation.
- Disturbance of the market (Potential lack of interest from bidders due to cost).
- Costs and other resource (for both Council and Bidders).
- Project delays to progress alternative.
- Further stress on staff.
- May result in a legal challenge from Bidders.

In any case, a decision is required by the end of September 2025 to allow the approved model to be implemented and to ensure continued operational readiness from 1st April 2028.

8.1 Provisional timeline:

Process	Date	Duration
Special Council Meeting Decision on future operating model for leisure from 1st April 2028 onwards	18 September 2025	-
Appoint Project Team (For all models)	1 October 2025	-
Appoint Leisure Consultant (For all models)	1 October 2025	6 months
Appoint Legal Provider (For all models)	1 October 2025	6 months
Information Gathering (For all models)	1 October 2025	Ongoing
Progress LATC /Inhouse model (Tender process not required)	1 October 2025	Ongoing
Pre-market engagement (For hybrid and outsourced)	1 April 2026	1 month
Prepare Tender (For hybrid and outsourced)	1 May 2026	5 months
Tender Process (For hybrid and outsourced)	1 October 2026	12 months

Process	Date	Duration
Transition/Mobilisation (For all models)	1 October 2027	6 months
Commencement of operator (For all models)	1 April 2028	-

9. Communications

As this is a complex subject, it is important that communication is managed sensitively and appropriately to ensure minimal disruption to both staff and the leisure facilities users across the Borough. Therefore, the following communication plans are currently in place post Council decision:

9.1 Council Staff and Union Engagement

Early engagement has taken place with Union representatives and Council staff to provide them with an update on the current position. Communication will go out to all Council leisure staff immediately following Council's decision on 18th September 2025 and will be followed up with a briefing from Council's senior management the following day (19th September).

9.2 NCLT staff

It has been agreed with NCLT that a briefing from Council's senior management will take place the following day (19th September).

9.3 Public Communication

A public statement will be issued following the Council meeting on 18th September 2025 providing an update on Council's decision on the way forward for leisure services from 2028.

RECOMMENDATION

It is recommended that Council considers the above report and appendices and makes an informed decision of which operating model Council will progress with from 1st April 2028.

Appendix 6 – Case Studies

Case Study 1 – Hybrid to Outsourced (Kingston Council)

Source: [Place Committee Report - Leisure Operating model](#)

Context

- Existing leisure estate was fragmented, with Places Leisure managing four leisure centres, the Council managing Chessington Sports Centre inhouse, and Achieving for Children managing Albany Outdoors adventure and water activity centre. In addition, the majority of the Council's outdoor courts, pitches and pavilions were operated through the green spaces contract with Glendale.
- In 2022, the Council agreed to bring together the Council's indoor and outdoor facilities into one operating model and to tender the services to a specialist operator for service delivery through a concession contract.

Process undertaken

- The Council considered potential operating models and considered priorities for a new model.
- It was recommended that the Council developed an integrated approach to optimise the use of the estate which will provide an opportunity to improve health outcomes and increase participation.
- A detailed options appraisal was carried out with four options (Inhouse management, Inhouse management via a council owned company, Outsourced and Creation of a trust or not for profit entity). It seems that a Hybrid model was not considered.
- A joint venture and an asset transfer were considered following the options appraisal.
- The options appraisal included (financial benefit, set up costs, risk, asset transfer, level of Council control, scope for community involvement, service protection and potential to increase participation).
- The options were evaluated, and the preferred option was to tender the leisure services to a specialist operator.
- This option was seen to provide the strongest financial return to the Council with a greater level of operational risk transfer whilst still providing strategic control and enabling the Council to achieve the social impact it wants to deliver through its sport, physical activity and leisure estate. From a review of national models, it is also the least expensive to put in place.
- Soft market testing was carried out.
- Estimated £100,000 set up costs.
- The Council will be able to retain control over aspects of the service (e.g. pricing, programming, community engagement).
- The Council anticipated that the outsourced operation typically generates higher participation levels: Industry standard median benchmark for annual visits per sqm: 91.2. Industry standard.
- Community involvement is possible, but the extent of it will be governed by the contractual arrangement between Council and the operator.

Case Study 2 – Hybrid to Inhouse (Bournemouth, Christchurch and Poole Council)

Source: [Management Options Appraisal Bournemouth, Christchurch and Poole Council - Max Associates](#)

Context

- Ashdown Leisure Centre, Poole (Dolphin) Leisure Centre and Rossmore Leisure Centre were operated by SLM Ltd with Riversmeet Leisure Centre and Bournemouth Indoor Bowls Centre run inhouse.
- The three leisure centres, Ashdown, Rossmore and Poole (Dolphin) transferred back inhouse in October 2024.

Process undertaken

- The options appraisal followed a staged process and following discussions with the Council, a weighted evaluation matrix was devised to assess each of the management options reflecting the Council's key priorities.
- After this initial evaluation both the LATC and external contractor options scores were aligned. Consequently, it was agreed to complete a second stage evaluation. The inhouse option was discounted at this point due to the risk of the Council breaching its partial exemption limit.
- This second stage of the evaluation focused on five core evaluation criteria: Delivery of strategic outcomes, Quality of service and customer satisfaction, Revenue implications, Value for money, Risk/ sustainability and council influence and control.
- Following the second stage evaluation, the external contractor option scored highest.
- However, following the completion of this report HMRC announced changes to VAT guidance, which meant leisure could be treated as 'non-business' by local authorities. This change meant the risk of the Council breaching its partial exemption limit was no longer applicable. Consequently, an addendum to the original report was produced completing the second stage evaluation, with the inhouse option included.
- The benefit of VAT relief on income, along with no irrecoverable VAT costs for the inhouse model, offset the external contractor/ LATC savings on NNDR and staffing and central support costs and profit requirements. The outcome was a comparable financial position for the inhouse and external contractor options.
- Given the strength of the inhouse option under other criteria such as council influence and control and meeting of strategic outcomes, the updated evaluation showed the inhouse option to score highest and was therefore considered the option that was best able to meet Council priorities and requirements.

Case Study 3 – Outsourced to Inhouse (Exeter Council)

Source: [A guide to the emergency insourcing of leisure services | Local Government Association](#)

Context

- Six sites operated by Legacy Leisure along with a new £45m Passivhaus leisure centre that was due to open in 2021 (opened April 2022).
- The existing contract was coming to an end and a new procurement process started September 2019. Several bidders were shortlisted at SSQ stage: the incumbent was not one of them. After the first national lock down (March 2020), the Council checked for continued interest from bidders but did not feel confident in any organisation's viability. The procurement was subsequently abandoned April 2020.
- As the existing contract was coming to a natural end and having determined there was no longer appetite from other operators to take on risk or invest capital in the new centre fit out, the council decided an inhouse arrangement would be preferable. While recognising the inhouse service would be more costly by comparison to an external outsource, the council had more comfort in this option as they could budget for the calculated costs. An exit settlement was agreed with the incumbent a month prior to the contract end.

Process undertaken

- External consultants were engaged to lead the insourcing process (£25k). Finance and legal support were secured inhouse.
- The Council started with a low membership base, as 60% of members had left during the pandemic. A revenue budget of £1,542,130 was agreed to cover the cost of transfer and to re-launch the service. An additional £270,000 was allocated to cover the cost recovery agreement with the incumbent operator. £330,000 of capital budget was allocated to reopen the centres in a COVID-secure manner. The actual spend was £845k less than budgeted. This was down to several factors but principally the further lockdowns which reduced operating costs and provided access to the job retention scheme payments.

Post Transfer

- A period of consolidation followed, and the leisure support services have now been largely absorbed into the existing Council departments.
- Political and executive support remains positive. The decision has been made not to outsource again in the future. When the disruption from transfer has settled the council may consider an LATC model to assist with managing the council partial exemption threshold (no longer the case due to VAT ruling).

Lessons Learnt from process

- Operational knowledge leading the process or recruit this knowledge to support the transfer.
- Decisions need to be made quickly as the pace of transfer is fast, so ensure there is senior management and political support for decision-making.
- Bring the transferring staff along in the process as they will reassure customers and support the process.

Case Study 4 – Inhouse to Outsourced (Belfast City Council)

Source: [Appendix 1 - Independent Review of Leisure Operating Model.pdf](#)

Context

- In order to finance Belfast City Council's Leisure Transformation Programme of c£105m, operational efficiencies of c£2m needed to be secured, this resulted in the Council deciding to outsource the management of its leisure facilities to Greenwich Leisure Limited (GLL) in 2015. The approach was designed to provide increased contractual cost certainty alongside delivering improved services and long-term cost savings, while increasing its flexibility to identify and meet changing customer needs.

Process undertaken

- Procurement process undertaken.

Review of model – September 2017 (First Point Management and Consultancy Ltd)

- GLL are delivering a more efficient service with a lower cost subsidy than the inhouse model.
- Utilisation of leisure facilities are increasing.
- Some good work has been done with partners to provide a community sports and health improvement programme, however there is scope for an increase in this area and the need to demonstrate long term impact.
- National or regional benchmarking against other leisure facilities is required.
- Customer feedback is positive. Customer does not care who runs facilities as long as they are run well.
- Employee relations consume an excessive amount of management time for GLL, change management is an ongoing process and progress is slow in comparison to other TUPE transfers in the UK.

- Challenging relationships between the Trade Unions and GLL. The Trade Unions remain opposed to the decision of the Council to outsource leisure and would support a return to an inhouse model.
- GLL operates the service differently to when it was run inhouse however no evidence was found to suggest that GLL were operating outside of health and safety or other legislation.
- No use of agency staff and increased use of casual staff and fixed term contracts to manage programmed activities such as holiday schemes etc.
- Tri-partial governance arrangement between Active Belfast Ltd, Belfast City Council and GLL. A lack of leisure management and contract management expertise or advisors and the need to review and possibly refine roles and responsibilities of Active Belfast Ltd and the Council was identified.
- A partnership approach between all parties is key to ensure strategic objectives are met.

Discussion with BCC Senior Responsible Officer (July 2025):

- BCC determined significant savings from outsourcing.
- Direct Award to GLL - Social Enterprise model and partnership approach with BCC.
- Dedicated BCC Officer to oversee the contract with oversight officer's board.
- Some price control remains with Council.
- Indoor /Outdoor – same as AND officers are proposing.
- £1.8m savings per annum invested in new and upgraded leisure facilities.
- Other benefits are also received including increased memberships, social value, etc.
- GLL is responsible for operational maintenance and BCC for building maintenance.
- BCC considers it to be a successful partnership.

Case Study 5 – Outsourced to LATC (South Kesteven Council)

Source: [South Kesteven District Council - Transfer of leisure service to council | Local Government Association](#)

Context

- The Council had four centres that were operated by 1Life. Prior to the end of the contract term the Council initiated an options appraisal. The preferred route at that time was to extend the current contract arrangement for 15 months to allow time for an external operator procurement process. With the onset of COVID-19, the Council recognised that market appetite had changed.
- A risk assessment of the situation forced the Council to reconsider the alternative options. One option was the creation of a LATC which had not been selected originally as all risk would remain with the Council, and it was recognised there would be high set up costs. The decision for this went to Cabinet August 2020 and secured approval.

Process undertaken

- Leisure consultants supported the original leisure options appraisal while legal counsel was received on the structure and creation of a new company, along with external tax advice on how to protect the Council's VAT exemption.
- With only four months left on the existing contract the setup of Leisure SK Ltd (the LATC) and the transfer needed to take place by 31 Dec 2020. It was a significant project which was supported by the Chief Executive and leader and involved weekly meetings led by the Council project team.
- The staff transferred into the LATC with their terms and conditions intact to future proof a possible outsource again in the future.
- £420,000 was spent on the transfer and set up of the LATC.

Post Transfer

- The service costs more than before the pandemic, but less than the period of national closures. A five-year trading plan was put in place projecting a small profit from year two.
- The feedback on the new service so far from customers and the Council's Scrutiny Committees has been positive.

Lessons Learnt

- Timing of transfer arrangements differ between tasks and therefore planning is critical e.g. transfer of data and set up of the leisure management software, bank accounts and setting up of suppliers can be time consuming.
- Transferring staff were consulted with very early on, to inform them of what was happening and to gain confidence and support for the transfer. Employee representatives were established, and regular zoom calls took place on any key staffing issues as they arose.

Case Study 6 – Inhouse v LATC Review (Stroud District Council)

Source: [Item 8a - Recommendation to bring Stratford Park Leisure Centre inhouse.pdf](#)

Context

- Stroud District Council contracted the operation of its leisure facility at Stratford Park to Sports and Leisure Management (SLM) in 2011. The original contract was for a 10-year period to 31st October 2021. In January 2020 this was extended to 31st October 2024 to allow the council time to consider options for the future delivery of its leisure facilities.
- In September 2021, a Task and Finish Group (T&FG) was asked to make recommendations on the preferred option for managing the Councils' leisure and wellbeing facilities post October 2024. To assist in reviewing the options the Council commissioned Max Associates to develop a detailed options appraisal.
- Options explored were included: Re-procuring an External Contractor; Creating a Local Authority Trading Company (LATC); and Bringing Leisure Services back 'in-house'.
- Following completion of the initial review, the inhouse model was identified as being the preferred option. However, this was subsequently discounted by the T&FG due to the financial implications that existed at that time.
- The T&FG therefore recommended that a LATC be created as the preferred option for the Council to manage its leisure facilities from November 2024.
- This recommendation was presented to the Community Services and Licensing (CS&L) Committee in December 2021 who resolved to agree the recommendation from the T&FG and delegate authority to the Strategic Director of Communities in consultation with the chair of CS&L to explore a LATC option and report back to the committee with a full financial analysis.
- This report along with the detailed business case was ready to be presented to CS&L Committee in March 2023.

HMRC VAT Ruling

- On the 3rd of March 2023 HMRC published a paper regarding the treatment of VAT in the local authority sector. The paper set out that inhouse leisure services provided to the public would no longer be classed as business activity and therefore would be removed from the scope of VAT. This not only means that the Council would now be in a different position in terms of reclaiming VAT but also that the previous risk of breaching our partial exemption limit has now diminished.
- The VAT rules in place prior to the ruling meant that approximately 17% of the income for key income streams such as memberships and public swimming would be passed to HMRC as VAT.

Outcome

- The change in the treatment of VAT had a major impact on the financial modelling included within the options appraisal, therefore consultants were asked to prepare a new business case applying the new VAT rules and comparing it against the previous business case for the LATC.
- The new business case confirmed that the change has resulted in going from a LATC having a VAT financial advantage, to the Council (inhouse model) having a VAT advantage (as the Council would be able to reclaim all, or nearly all, VAT on expenditure, whereas the LATC would not), and keep VAT on key activities.
- In May 2023 the T&FG met and agreed to the revised recommendation of bringing leisure services back inhouse.