

Meeting of:	Corporate Performance and Resources Scrutiny Committee
Date of Meeting:	Wednesday, 24 May 2023
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Leisure Management Contract – Financial Update
Purpose of Report:	To update Corporate Performance and Resources on the current financial position of the Leisure Management Contract between Parkwood Leisure and the Council and of the support provided through the Covid Pandemic.
Report Owner:	Miles Punter – Director of Environment and Housing
Responsible Officer:	Matt Bowmer – Head of Finance / Section 151 Officer
Elected Member and Officer Consultation:	Principal Healthy Living Officer Recycling and Infrastructure Manager Accountant - Neighbourhood Services and Buildings Equalities Operational Manager, Accountancy Neighbourhood Services – Operations No Local Ward Member Consultation required
Policy Framework:	This report is for information only.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The report provides a financial update on the costs of providing the Leisure Services Contract with Parkwood, through Legacy Leisure during the pandemic, throughout the recovery and beyond. • There were significant additional costs during the pandemic due to lost income and the general health of the leisure industry. The Part II report on this agenda sets out the detail with regard the additional costs of support to Parkwood. • Post pandemic there are new challenges due to the worldwide economic pressures driven primarily by the Russian invasion of Ukraine. 	

- During 2022/23 the Council provided one off support to meet these additional costs ahead of the contract extension and is outlined in the Part II report. In line with the previous contract, the new contract is baselined for increases in utility costs with the Council bearing the risk, which has led to an additional £200k being set aside in the Budget for 2023/24.

Recommendation

1. That Scrutiny Committee note the current financial position and the support provided to the Leisure Centre provider through the Covid-19 Pandemic and current economic challenges.

Reason for Recommendation

1. To make Corporate Performance and Resources aware of the current financial position and support being provided.

1. Background

- 1.1 The current Leisure Management Contract commenced on the 1st August 2012 for an initial period of 10 years but with the ability to extend by a further 5 years if both parties were agreeable. The 5 year extension had been agreed in principle when the Covid-19 pandemic struck causing considerable disruption to the Leisure Centres and changing both the delivery methodology and the financial circumstances of the original contract.
- 1.2 The Contract, prior to Covid-19 restrictions, was the only Leisure Management contract in Wales to be providing a revenue income to a Local Authority. Whilst the contractor has required financial support during the Covid-19 restrictions periods, the flexibility of the contract has kept these costs lower than would be for other Welsh Councils as staff have been able to be furloughed, the service has been able to react quickly to changes to the restrictions applied and the contractor has retained a large customer base (albeit this has been diminished during the pandemic).
- 1.3 Leisure Services across the UK have been under significant pressure initially due to the impact of the pandemic and the slow recovery in the sector post pandemic and then quickly followed up by the inflationary pressure especially in oil and gas prices driven by the Russian invasion in Ukraine and the prolonged nature of the conflict.
- 1.4 For the Vale of Glamorgan there has been the additional challenge of the need to extend the contract with Parkwood, the contract be widely regarded as delivering good value for money. The Council actively supported Leisure Services during the pandemic, Cabinet at its meeting on 2nd November 2020 resolved –

(1) T H A T the Director of Environmental and Housing in consultation with the Head of Finance/Section 151 Officer be authorised to approve monthly payments to the Leisure Management Contractor of no more than £75,000 subject to the Contractor providing evidence of a shortfall in their monthly income as a result of Covid-19 related economic conditions and the

temporary suspension of the monthly income received from the Contractor to the Council for operating the Council's facilities.

- (2) T H A T should, following the current 'firebreak', a further closure of Leisure Facilities be instructed as part of any future measures introduced by the Welsh Government the Director of Environment and Housing in consultation with the Cabinet Member for Leisure, Arts and Culture and the Leader together with the Head of Finance/Section 151 Officer, be granted delegated powers to negotiate service and financial issues with the Council's Leisure Contractor subject to the cap set above.
- (3) T H A T the current situation in relation to the proposed extension of the Leisure Management Contract that was presently due to end on 31st July, 2022 be noted and that a further update report be provided to Cabinet on this matter in January 2021.
- (4) T H A T the urgency procedure set out at Section 14.14 of the Council's Constitution be used in respect of Resolutions (1) to (3) above.

1.5 As regards the extension to the 10 year contract with Parkwood, Cabinet on 21st June 2021 resolved –

- (1) T H A T the current position with regard to the negotiations of the Leisure Centre contract extension, as resolved previously by Cabinet on 16th December 2019 (Minute C181 refers) be noted.
- (2) T H A T the Director of Environment and Housing be authorised, in consultation with the Managing Director, the Leader and the Cabinet Member for Leisure, Arts and Culture, to activate and negotiate the terms of a 7 year 5 month extension to the Leisure Management contract, subject to agreement being reached with Parkwood Leisure Limited, currently sub-contracted to Legacy Leisure.
- (3) T H A T the Director of Environment and Housing be authorised, in consultation with the Managing Director, the Leader, the Head of Finance/ Section 151 Officer and the Cabinet Member for Leisure, Arts and Culture, to negotiate the terms of 2 year 5 month reversionary leases of the Leisure Centre facilities with Parkwood Leisure Limited, subject to agreement being reached in respect of Resolution (2) 2 above.
- (4) T H A T authority be granted to the Monitoring Officer/Head of Legal and Democratic Services to prepare execute and complete all legal documentation required to facilitate completion of the contract extension and reversionary leases set out in Resolution (2) and (3) respectively.
- (5) T H A T the report be referred to the Healthy Living and Social Care Scrutiny Committee and that any reference s received from that Committee be

reported back to Cabinet prior to the summer recess or that Cabinet receives a final report before any contract extension is completed.

(6) T H A T the Neighbourhood Services and Transport reserve be used to fund any additional costs that arise in 2021/22 and 2022/23.

- 1.6** Audit Wales undertook a review of the Council's Out-sourced Leisure Services and a report was published in November 2020. The report challenged the Council to assure itself that the contract is providing value for money and strengthen its application of the Sustainable Development Principle as part of extending the contract.
- 1.7** Whilst officers have been able to demonstrate that the contract provides value for money by undertaking a comparative exercise against all other Councils in Wales, further work was acknowledged to be required to strengthen the application of the Sustainable Development Principles. Audit Wales raised concerns that this was not fully addressed in the extension of the contract. This is however somewhat understandable as the new agreement with Parkwood is an extension of a contract written before the Well Being of Future Generations (Wales) Act came into place. However, the Council has committed to working with Parkwood/Legacy Leisure on these challenges and a report to Healthy Living and Social Care Scrutiny Committee on 10th January 2023 sets out the progress made to date on this alongside the annual report from Legacy.
- 1.8** The Pandemic and current economic environment have put pressures on the Council's Leisure Services budget and this report seeks to address the request from this Committee for an update on the financial position.

2. Key Issues for Consideration

Financial Position

- 2.1** Support through Covid-19 Pandemic – When the Covid-19 lockdown began in March 2020 Leisure Centres had to close to members of the public. This caused a total loss of income from paying customers to the Council's Leisure Centre provider, Parkwood Leisure. Emergency Powers were subsequently granted to ensure that Parkwood was compensated to cover for ongoing costs that could no longer be met from income into the business, subject to a cap of £50k per month. Further details are provided in the Part II report on this agenda.
- 2.2** A further report was presented to Cabinet on the 2nd November 2020 to seek approval to continue this support by way of monthly payments subject to a cap of £75k.
- 2.3** During the financial years 2020/21 and 2021/22 the cost of the support provided to Parkwood was claimed back via the Welsh Government Hardship Fund.

Further details are provided in the Part II report on this agenda. The support via the Hardship Fund for Leisure Services ceased in March 2022.

- 2.4 During financial year 2022/23 support has continued to be provided to Parkwood and ceased at the end of December 2022. Although the income levels within the Leisure Centres have been slowly recovering costs have also increased, especially with regards to utilities. Further details are provided in the Part II report on this agenda.
- 2.5 Contract Extension – The contract with Parkwood was extended from August 2022 for a period of 7 years and 5 months. Due to previous benchmarking undertaken on the cost of Leisure Centre Management across Wales it was considered that this would provide the greatest value for money and be substantially more cost efficient than retendering the service or bringing the service back in house. High level figures were included in the Part II Cabinet report of the 21st June 2021. Further details are provided in the Part II report on this agenda. The Cabinet Report of 21st June 2021 gave delegated authority to negotiate and agree the terms of this extension.
- 2.6 The financial terms of the contract are similar to the 10 year contract that had been in place from 2012 and will be further detailed in the Part II report on this agenda.

Benchmarking with other Local Authorities

- 2.7 Previous benchmarking undertaken back in 2019/20 provided data on the costs of providing Leisure Centres across other Local Authorities in Wales.
- 2.8 Work is underway to update this piece of work which is the best part of three years old. An FOI request was made some weeks ago and, as the responses have been slow, chase up emails have been sent.

Contract Management/Performance Management

- 2.9 Contract Management/Performance Management - Meetings are held monthly with the contractor where an agenda is produced in advance of the meeting. Each meeting includes the Contract Manager and Regional Manager from Legacy Leisure, Operational Manager for the Authority, and a representative from the Council's Estate's section for building maintenance matters. The subjects covered include Maintenance Issues, Contract Payments, Usage Date, Staffing Structures, Community Development, Customer Feedback & Welsh Language. Once a year a larger meeting is held with the contractor which includes senior officer representatives from the Council's Finance and Human Resources teams.
- 2.10 Legacy Leisure is required to produce an annual report detailing performance, service improvements and any operating issues. This Report is presented to the Healthy Living and Social Care Scrutiny Committee on a scheduled basis to allow

Committee to assess the performance of the Leisure Management Contract over the past 12 months. This report is normally presented to Council during Quarter 3. Performance monitoring includes, Safeguarding the environment for now and for the future, local employment, Supporting Health, wellbeing, and safer communities, Building strong and inclusive communities.

- 2.11** In addition, Legacy Leisure has appointed a new Community Development officer to work with the community to increase participations of all groups and implement an Active Communities plan. This is in response to the previously mentioned Wales Audit Office report, and the outcomes of this work will be presented to the Healthy Living and Social Care Scrutiny Committee as part of the performance management data it receives.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** Prevention: The Leisure Centres already make a significant contribution to the Council's well-being objectives and continued investment will provide new opportunities for residents to take up new physical activities. Remaining fit and healthy is the best prevention known for residents to enjoy healthy lives and the partnership with Legacy Leisure demonstrates the Council's commitment to long term health objectives for its residents and visitors.
- 3.2** Integration: Leisure Centres already link with a variety of other services including health services with initiatives such as the GP referral scheme and provide a base for many Sports Clubs to offer opportunities to residents for both competitive sport and well-being activities.
- 3.3** Collaboration: The Leisure management contract is a good example of a collaboration project within the Council demonstrating how an external 'not for profit' organisation, Legacy Leisure, and the Council can work together to provide quality services.
- 3.4** Involvement: Parkwood Leisure regularly consults with customers about future requirements and many of the initiatives presently offered at the sites are as a direct result of this.
- 3.5** The proposals in this Report are consistent with Council's Corporate plan.

4. Climate Change and Nature Implications

- 4.1** The Council continues to invest in Leisure Centres with the aim of meeting the Project Zero target by 2030. Solar Panels were installed on Cowbridge Leisure Centre Roof in 2022 and there has also been recent boiler renewal works within

Barry Leisure Centre and Penarth Leisure Centre. Boiler renewals are planned for 2023/24 at both Cowbridge and Llantwit Leisure centres.

5. Resources and Legal Considerations

Financial

5.1 The financial aspects are dealt with in the main body of the report.

Employment

5.2 There are no direct Employment issues as a result of this report.

Legal (Including Equalities)

5.3 The period for the contract extension is from August 2022 to Dec 2029 for a period of 7 years and 5 months. The contract is monitored via regular officer meetings with Parkwood and an annual report to Cabinet.

6. Background Papers

None.