

Meeting of:	Cabinet
Date of Meeting:	Monday, 21 June 2021
Relevant Scrutiny Committee:	Healthy Living and Social Care
Report Title:	Leisure Management Contract Extension
Purpose of Report:	To consider the options to extend the Leisure Management Contract between Parkwood Leisure and the Council.
Report Owner:	Report of the Cabinet Member for Leisure, Arts and Culture
Responsible Officer:	Miles Punter – Director of Environment and Housing
Elected Member and Officer Consultation:	Account Environment and Housing Legal – Committee Reports Operational Manager Property Operational Manager Accountancy
Policy Framework:	The Report is a matter for Council decision
<p>Executive Summary:</p> <ul style="list-style-type: none"> • 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. • Further discussions have since taken place as the time remaining on the original contract is now limited and arrangements need to put in place to protect the future of the service. • Financial modelling of different options available to the Council have been undertaken and advice has been sought from the consultants who originally advised the Council on the contract in 2012. This advice has demonstrated, that even with the changes in financial circumstances, the option of extending the contract is by far the best option for the Council and that a longer extension than 5 years is the optimum commercial approach. • It is proposed to extend the contract by a period of 7 years and 5 months that allows both the Council and the Contractor to compensate for the time lost due to the pandemic. Due to the 	

commercial sensitivity of the financial information involved this matter is considered on this agenda under Part I and II.

- Leases of the Leisure Centre facilities were granted to the Contractor for a period of 15 years from 1 August 2012. It would be necessary to enter into reversionary leases of the Leisure Centre facilities to cover the additional 2 years 5 months of the contract.

Recommendation

1. That Cabinet notes the Report and considers alongside the linked Part II Report later on this Agenda so that a decision on this matter can be taken under Part II of this Cabinet Agenda.

Reason for Recommendation

1. To explain the background to the proposals to extend the Leisure Management Contract.

1. Background

- 1.1 Cabinet of 16th December 2019 (Minute C181), having considered the Leisure Management contract extension 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 (Minute C434 refers) be noted and it be noted that the delegation in respect of the same now requires consultation with the Cabinet Member for Leisure, Arts and Culture alongside the Managing Director and Leader. 301 Cabinet 2019 December 16 – Minutes (MS)

(2) T H A T the principle of a £600,000 loan being made available to Parkwood Leisure Limited, financed by Prudential Borrowing, to permit improvements to the Council's Leisure Centres be noted.

(3) T H A T Recommendation (2) be subject to the successful conclusion of contract negotiations to extend the current leisure contract for five years until 2027 (Minutes C434 refers).

(4) T H A T Council be requested to increase the Council's Capital Programme by £600,000 subject to the successful conclusion of contract negotiations as referred to in Recommendation (3).

- 1.2 Negotiations were close to a conclusion in February 2020 when the COVID-19 emergency began. As a result, negotiations were put on hold as it was not clear what the future provision would be or when things would return to normal.
- 1.3 The Leisure Management Contract is due to end on 31st July 2022 and therefore there is now a need to conclude the extension arrangements to provide certainty for both the Council and the Contractor.

2. Key Issues for Consideration

- 2.1** During the Pandemic discussions have been ongoing with Parkwood Leisure and the Council. Financial support has been available via Welsh Government grant funding to provide the service with the best possible opportunity of making a full recovery when circumstances allow.
- 2.2** These discussions have also included how best to progress the proposed contract extension that was permitted under the terms of the original contract. The original contract permitted a five year extension but given the effects of the pandemic, particularly from a financial perspective, discussions have taken place to extend this to seven years and 5 months. A specialist external consultancy, Strategic Leisure, which advised the Council on the original contract, were re-engaged to provide further advice on a potential seven year five months extension. They were also asked to consider a proposal presented by Parkwood Leisure that detailed both their reasons for a longer extension and the potential financial consequences of a longer extension.
- 2.3** Strategic Leisure has reported back stating that a seven year five month extension would be in the best interests of both the Council and Parkwood Leisure but further negotiation is required on the terms presented by Parkwood Leisure.
- 2.4** Both the Strategic Leisure report and the proposal from Parkwood Leisure are for consideration in the Part II report on this agenda.

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

- 3.1** In terms of the Council's Corporate Plan, this work links to the Well-being Outcome 4: An Active and Health Vale:

Objective 7: Encouraging and promoting active and health lifestyles. Work in partnership to deliver a range of activities through our leisure and community facilities and parks to increase levels of participation and physical activity. In this regard, the work being undertaken to extend the contract seeks to secure the leisure facilities for future generations to enjoy and participate in physical activity to the benefit of health and wellbeing of users and residents.
- 3.2** In terms of the Five Ways of Working, as set out in the Wellbeing of Future Generations Act, the following applies.
- 3.3** Long Term: The extension of the contract and the provision of an additional loan will assist in securing the long-term future of the Council's leisure centre service. The loan will allow the operator to take account of the growth of smaller exercise opportunities that customers demand and will secure the future use of the facilities as well as the provision of leisure services for current and future generations. By spreading the repayment cost over several years the investment

can have an immediate impact that the contractor could not afford to undertake directly.

- 3.4** Prevention: The Leisure Centres already make a significant contribution to the Council's well-being objectives and future 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 this investment would emphasise the Council's commitment to long term health objectives to its residents and visitors whilst at the same time emphasising the commitment to the leisure centres at a time of budget restraint. This clearly links into both the Council's objectives and the objectives of the Wellbeing of Future Generations Act.
- 3.5** Integration: The proposed new facilities fit with many of the Council's health and well-being objectives as well as national objectives of having a healthier population in Wales. The Leisure Centres already link with health services with services such as the GP referral scheme and the new facilities that this loan will facilitate will be utilised by such initiatives, allowing this effective arrangement to continue for a further 5 years.
- 3.6** 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 that are sustainable, accessible and planned for the long term.
- 3.7** Involvement: Legacy Leisure have trailed many of the planned facilities at other sites and have based their suggestions for investment on experiences at other sites.

4. Resources and Legal Considerations

Financial

- 4.1** The details of the finance offer made by Parkwood Leisure are shown in the Part II report on this agenda. These will require further negotiation before being finally agreed.

Employment

- 4.2** An Equality Impact Assessment was undertaken prior to the contract being awarded. The need for a further assessment is being fully considered as part of the work undertaken in progressing negotiations. Although this is an extension rather than a retendering, the specific changes to the contract on the issues will be considered in the context of the need or otherwise for an Equality Impact Assessment which will have regard to the Council's socio-economic duty.

- 4.3** Regardless of the above, Equal Opportunities is however an important element of service delivery with the contractor committed to following the Council's policies.

Legal (Including Equalities)

- 4.4** The existing contract was entered into under a now repealed public procurement regime. The current law governs the proposed variation of this contract even though the contract was entered into before this came into force. The contract is what is known colloquially as a 'light touch' contract and the light touch regime ("LTR") under the relevant regulations applies. This is less onerous than the full regime. The contract is one where the total value to the contractor of the services which they run on behalf of the Council includes the contractor taking income and other risks. It is therefore what is technically known as a concession contract. This means it is governed by The Concessions Contract Regulations 2016 ("CCR"). As it is a light touch concession contract not all provisions of the CCR apply.
- 4.5** The contract had provision for a five year extension but the impact of the pandemic and the expert advice received from Strategic Leisure provides the commercial rationale for extending the contract by an additional 2 years and 5 months.
- 4.6** The reversionary leases will be required to ensure that Parkwood Leisure Limited are able to continue to provide the Leisure Services.
- 4.7** The Part II Report contains a detailed analysis of the legal issues and implications of the recommendations along with the Strategic Leisure Report.
- 4.8** In view of the legal complexities, the Council is also being supported by the same firm of external solicitors, Léonie Cowen & Associates, which worked with Strategic Leisure on the original procurement and they have advised on these legal implications.
- 4.9** All contact negotiations with Parkwood Leisure will also take account of the new socio-economic duty placed upon Local Authorities in Wales.

5. Background Papers

None.