

BRIEFING NOTE

WINDSOR FORUM

19 February 2015

Briefing on RBWM Leisure Centres and award of a concession contract to Parkwood Leisure

Background:

1. Cabinet agreed to approve the award of the concession contract to operate leisure centres in the Royal Borough of Windsor & Maidenhead to Parkwood Leisure for 10 plus at mutual agreement a further 10 years. It also approved the issue of a sub contract from Parkwood Leisure to Legacy Leisure Trust under a Service Agreement for operation of the contract.
2. Following a procurement exercise that commenced in February 2014, an attractive bid for the contract was received from an experienced and successful provider in October 2014.
3. The quality of the Borough's leisure centres will improve by awarding the contract and the Council expects a cumulative saving of **£2.6m** by 2018/19 and further material savings per annum thereafter. This will allow for increased investment in other Borough services.
4. The contractors capital investment programme will help reduce the Council's capital programme and will allow for redistribution of s106 funding to other projects. There will be **no** transfer of ownership of the leisure centres and/or land.
5. The decision to procure an alternative provider for these services was agreed by Cabinet Prioritisation sub committee at its meeting on 6 November 2013. Under the public procurement regulations, contracts relating to management of leisure centres are either Part B services requiring some degree of advertising to comply with the European Treaty principle of transparency or a concession contract which is outside the scope of the regulations.
6. A services concession grants **exclusive rights to manage** and **operate** the services **in exchange** for a **significant rental payment** to be made to the Royal Borough.
7. The contract is a concession with a range of identified service outputs as contractual obligations.

8. The contract proposed follows a Sports England recommended format with input from RBWM officers and Shared Legal Service. The contract has a 10 year break clause accessible to either party.
9. The contract repairs and maintenance matrix transfers much of the equipment capital replacement programme to the contractor. The Council remains only responsible for the maintenance and replacement of items relating to the building and the fabric of the building.
10. The contractor has a long track record of operating leisure centres and is part of a larger national group the Parkwood Group of Companies, which includes operators of Theatres, Grounds Maintenance contracts, Health care and a consultancy arm. Parkwood Leisure has a turnover of £135m and 4,000 employees. Parkwood Leisure work with 25 local authorities operating leisure centres mainly in the South and Midlands including Banbury, West Berks, Ruislip and Southend.
11. The contact will be monitored by a qualified Council officer in the Leisure team who will be responsible for monitoring quality outputs based on target Key Performance Indicators identified in the contract documentation. Mystery shoppers are used regularly by Parkwood, and feedback from them as well as regular centre inspections by the monitoring officer (or a third party appointee) will ensure quality, programming and performance are improved.
12. The approved net controllable cost revenue budget for the four transferring leisure centres is £2.26m (credit to RBWM) in 2014/15. This consist of £5.71m gross spend and £7.97m revenue. Responsibility for some of these budgets will remain with the Council, including building insurance, major capital investments, roof, wall and basic fabric costs. Income from car parking will also remain with the Council. The contractor will be given guarantees that their business will not suffer due to unreasonable changes in parking arrangements.
13. Agreement has been reached over a 10 plus 10 year contract with two way break clause, "core charges" (majority of charges including swimming and gym charges) will be capped at RPIx (retail prices index minus mortgage costs) and the responsibility for maintenance of buildings (RBWM) and its contents (Parkwood) have been established. There are ongoing discussions on the novation of contracts to Parkwood and responsibilities for any termination costs that might arise. These are not expected to be significant. Delegated authority to resolve these matters is sought in the recommendations.
14. **The Leisure Centre buildings and land will remain in the Council's ownership.**

15. Parkwood Leisure will sub contract the operation of the centres to Legacy Leisure Trust. Under this arrangement VAT will not be added to charges for certain activities. Legacy Leisure will operate the contract under a Service Agreement between the Trust and Parkwood Leisure. The contract will be held by Parkwood Leisure who will hold all the contractual obligations and risk. RBWM staff will TUPE transfer to Legacy Leisure Trust as the operators of the centres.
16. The contractor is expected to generate an operating surplus and this will enable them to pay an annual rent to the Council for their use of the leisure centres. The annual rent guaranteed by the contractor will increase gradually over the first 4 years of the contract. After increasing over these 4 years the sum will remain unchanged (subject to CPI uplift – Consumer Price Index) for the following 6 years. The annual rent payable after 10 years will be subject to review see appendix B for rent payments and appendix D for budget impact of rent payments.
17. The increases in surplus are expected to arise from reduced operating costs, reduced utilities costs and from projected growth in revenues.

Capital

18. The contractor has indicated they **will invest £150k** per year in capital investments to supplement the council's planned replacement programme which will remain in place and be subject to the usual annual capital budget programme prioritisation and selection procedure.

Recharges

19. The 4 existing Leisure Centres would have attracted approximately £530k in Corporate and Directorate Management recharges in 2014/15. The Council can expect a reduction in the cost of its management budgets; however the marginal cost saving from this externalisation will not deliver the £530k currently shown in the budget. Further work is required to quantify additional central administration savings, but these **additional** budget savings are expected to be in the region of £100k per annum.

Sustainability Impact Appraisal

20. The leisure centres will **remain in Council ownership** and will **continue** to be included in the "**Refit**" project in respect of **improving** their energy efficiency. The contractor has also identified additional energy saving plans to be implemented at a very early stage of the contract.
21. A lease and sub lease will be drawn up between the contractor and RBWM covering the buildings of Magnet, Windsor, Cox Green and Furze Platt Leisure Centres and an agreement will be drawn up between the Charters Leisure Centre Trust and the contractor. It is anticipated that the Centres will be leased for a 20 year lease with suitable break clauses at year 10. A condition survey

has been completed in respect of the buildings to inform future maintenance work this will be revisited before award of contract to determine all the equipment requirements at the staff of the contract and provide a benchmark at the end of the contract. Larger capital project work will remain the responsibility of RBWM, with the general day-to-day maintenance contracted to the contractor as part of the legal agreement, identified within a repairs and renewals matrix.

22. Under the lease agreements provision will be made for any potential relocation of the Magnet Leisure Centre.
23. The new Furze Platt Leisure Centre is included in the documentation to allow transfer once the centre is completed in May 2015.

Any other implications

24. There are a number of areas currently operated by the Leisure Centres which will remain within the RBWM Leisure Service team, namely: the Advantage Card and its administration (0.6fte); Strategic Sports Development (1fte); Thames Valley Athletic Centre contract management; SMILE and other health and rehabilitation services (2fte); Parks and Open Spaces management (5.5fte) and Landscape Design (1fte). Responsibility for 4 Marlow Road and the Larchfield Community Centre will transfer to the Youth & Community Service.

Additional information on prices

25. The agreement specifies prime risks on five core areas not to increase above RPI. The centres also provide a huge number of different activities, with differing pricing structures and special offers that have continued for longer than a 'special offer' would. Price charges occurring revert to the base price on which the 'special offer' was a discount. Parkwood itself runs weekly / monthly time limited special offers which will add to the range of offers previously enjoyed.

SMILE Membership

26. The agreement specified a commitment to continue SMILE and Parkwood has done that. The recent issues have been about the price of membership which rose from £31 per month to £37 for all ages except 90 plus who are free. The Council had age graded membership and decreasing charges. The subsidy now will be on membership for those 60 plus at state pension age, in order to target healthy living on the older age groups. Parkwood has agreed to revert to this arrangement. The membership price will, as usual under the Council, increase by RPI and be as follows:

Category	RBWM 2014 price	Uplift for 2.3% Inflation for 2015/16
60-69	£26	£26.60
70-79	£23	£23.55
80-89	£12	£12.30
90+	Free	Free
Partners	£49	£50.15

This membership allows free use of gym, swim and spa at Magnet and Windsor. There are many different activities 'badged' as SMILE, for which both members or anyone else who meets the criteria for the type of activity can pay as and when. These charges have changed to reflect costs but will also have new special offers. Parkwood has agreed to offer a swimming pass for over 65's at a reduced cost of £120 per year.

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