CARDIFF
CAERDYDD

# Cardiff City Council

# Leisure Review Report

# January 2024

THE
SPORTS
CONSULTANCY

## Contents

# 1. Introduction

1.1. In September 2023, The Sports Consultancy (TSC) was appointed by Cardiff City Council (the Council) to undertake a review of their leisure centres. The project was in two parts:

1. A review of the city's existing leisure provision
2. A leisure management options appraisal.

1.2. This report presents the finding of this work.

***Part 1: Review of the City's Existing Leisure Provision***

1.3. The purpose of the review of leisure provision was to undertake a high-level analysis of the overall leisure provision in the city to provide a view as to whether the supply was sufficient to meet demand. The work comprised the following stages:

1. a review of Council's existing leisure strategy
2. an audit of key facility types (swimming pools, sports halls, health and fitness gyms) across the city, taking into account public, private and education provision
3. mapping of facilities (using Maptitude GIS software)
4. high-level assessment of demand for the facility types using the *Sports Facility Calculator*
5. consultation with key stakeholders (Cardiff University and Cardiff Metropolitan University) to understand their facility aspirations and any opportunities for a joint approach to facility provision
6. based on 2, 3 and 4 establishment of an overall view as to the adequacy of leisure provision in the city
7. comparison of the level of leisure provision with the other major conurbations in Wales (Swansea, Newport and Cardiff).

***Part 2: Leisure Management Options appraisal***

1.4. The purpose of the leisure management options appraisal was to provide an assessment of the Council's existing leisure contract with GLL and of the alternative management models in order to identify a contingency option should the existing contract be terminated early. It comprised the following stages:

1. Review of Council's existing contract to compare its provisions to best practice
2. Identification of the alternative management options to be considered
3. Summary of the key characteristics of the options (e.g. key contract terms, level of risk transfer, council control, asset management arrangements, utilities responsibilities, payment terms)
4. Summary of the current position of the leisure operator market position in the UK
5. Review and benchmarking of current financial and non-financial performance of the facilities within GLL's portfolio
6. Financial and non-financial appraisal of the management options
7. Evaluation of the options and identification of a preferred contingency option
8. Implementation plan and timescales for the preferred option

1.5. The report is structured around these two main parts with Part 1 being set out in section 2 and Part 2 in section 3 of this report.

## 2. Review of Existing Leisure Provision

2.1. As outlined in the introduction, the purpose of the review of leisure provision in the city was to provide a high-level analysis of the extent to which the supply of facilities meets the demand.

***Council Leisure Strategy***

2.2. The Council does not currently have a built facilities strategy. A study was commenced in 2015, which included *Facilities Planning Model* analysis; however, it was never adopted[1].

2.3. More recently, the Council adopted a five-year (2022-27) physical activity strategy called *Move More Cardiff Physical Activity and Sport Strategy* which describes how they will work to achieve the vision that Cardiff is the best city in the UK to be physically active, and renowned as one of the most physically active cities internationally, from walking, cycling and activities in daily life through playing and competing in sport. The main objectives of the plan cover the themes of (1) health; (2) environment; (3), economic considerations; and (4) social considerations.

2.4. The strategy pledges that the Council will work in the following ways:

- **Communities will be at the core** – the Council will actively engage and listen to its communities
- **Focus will be where the need is greatest** – people living with a disability or long-term health conditions; women and girls; pregnant women; and people from Asian and black backgrounds
- **There will be co-ordination across the system**
- **Leaders will be supported to grow and develop** – power will be given to local people, workplaces, groups and clubs
- **Continuous learning** – there will be sharing knowledge
- **Ensuring inclusivity**
- **Creating active environments** – for example, improving walking and cycling networks, strengthening road safety, improving access to public open spaces, and designing communities that are connected to the space around them
- **Improving equitable access** to public and green open spaces, recreational spaces and sports amenities
- **Creating active societies**
- **Creating active people**
- **Creating active systems.**

2.5. As a physical activity strategy, it has a much broader focus than facilities; however, facility provision will be an important factor in the Council being able to deliver on its objectives and it is particularly reflected in the active environments and equitable access themes of the document.

***Study Area and Council Facilities***

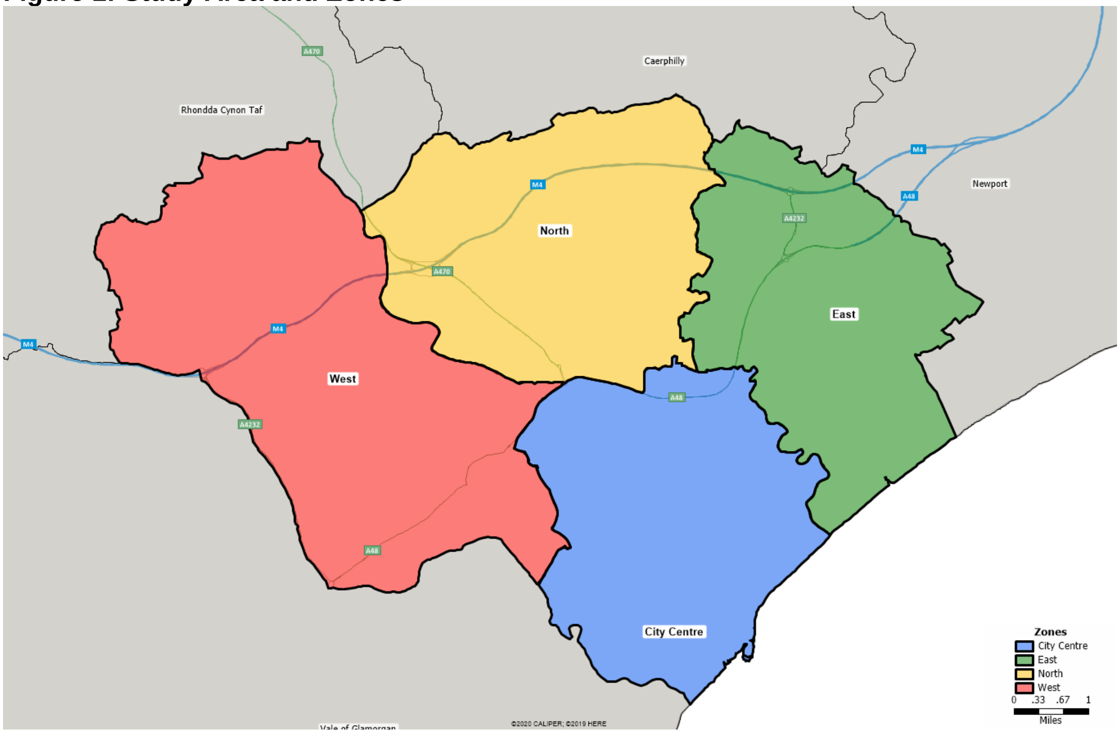
2.6. As outlined in section 1, the review of leisure provision comprises an assessment of facility supply (audit) and estimated of demand. The first step in the process, however, was to define the study

[1] Awaiting the report from this. Will update this statement, if necessary, through the draft review.

area under consideration. This was the Cardiff city local authority area, which stretches from the Bristol Channel in the south, to just north of the M4 in the north, to the A4232 in the west and St Mellons in the east. It is shown in Map 1 below. To provide an additional level of detail to the analysis, this area was divided into four zones as follows:

- **City Centre**: comprising the wards of Galbalfa, Penylan, Riverside, Cathays, Plasnewydd, Adamstown, Splott, Butetown and Grangetown
- **East**: Pontprennau and Old St Mellons, Pentwyn, Lanrumney, Trowbridge and Rumney
- **North**: Whitchurch and Tongwynlais, Rhiwbina, Heath, Llanishen, Lisvane and Cyncoed
- **West**: Pentyrch, St. Fagans, Radyr, Fairwater, Llandaff, Llandaff North, Ely, Canton and Caerau.

**Figure 1: Study Area and Zones**




2.7. This section provides a context to the supply and demand assessment, not only by confirming the study area, but also by setting out the facilities the Council owns. They are as follows:

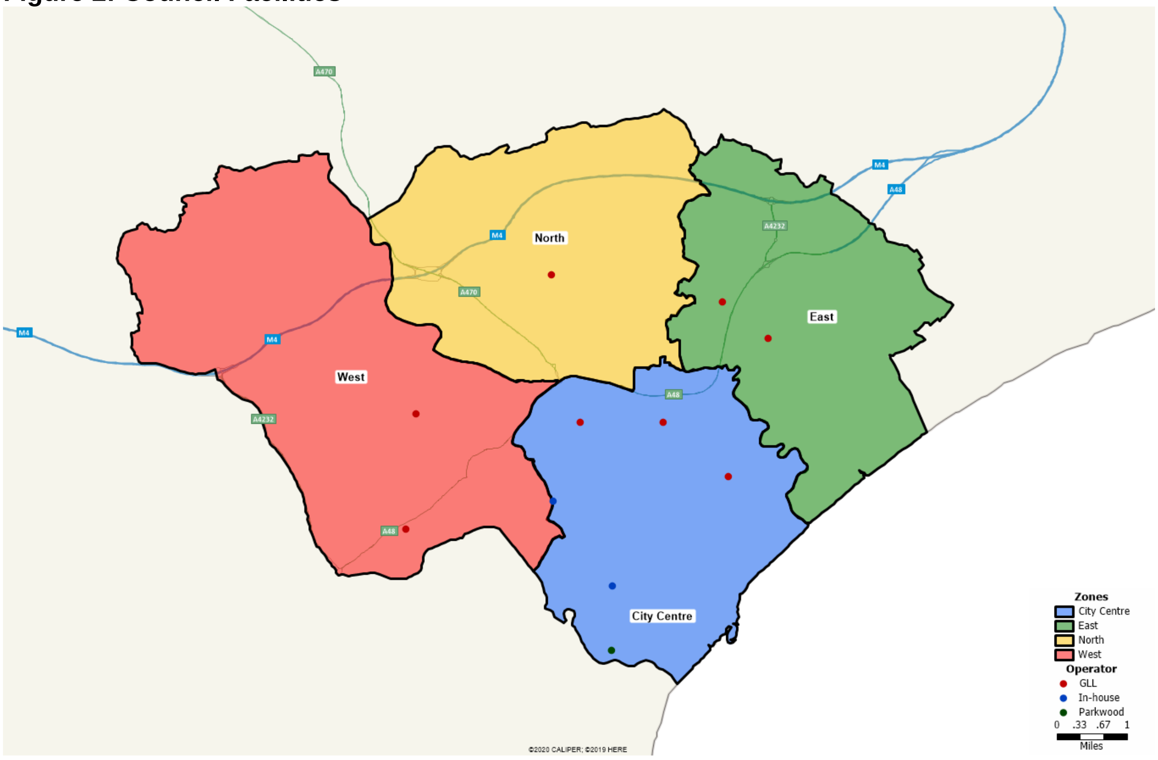
- Eastern Leisure Centre
- Fairwater Leisure Centre
- Llanishen Leisure Centre
- Maindy Centre
- Pentwyn Leisure Centre
- Western Leisure Centre
- Penylan Library and Community Centre
- Star Hub
- Cardiff International Pool and Gym
- Channel View Centre

- Canton Community Hall.

2.8. Of these, the first eight are under the leisure management contract with GLL (see section 3). Pentwyn Leisure Centre has been closed to the public since March 2020. Some of the dryside spaces within it are currently leased to Cardiff Blues rugby for training purposes. Cardiff International Pool and Gym is managed by Parkwood Leisure under a separate contract and Channel View Centre and Canton Community Hall are managed by the Council directly.

2.9. The locations of the Council's facilities are shown in Map 2.

**Figure 2: Council Facilities**




***Facility Audit***

2.10. As outlined in section 1, the supply and demand assessment was a high-level analysis. As such, it focused on the key facility types that typically make up public leisure facilities:

- Swimming pools
- Sports halls
- Health and fitness facilities.

2.11. In the absence of an equivalent to Active Places Power, the audit was compiled from desktop research. For each facility type, all of the individual facilities within the study area were identified along with the size of the relevant facility area in question (i.e. for swimming pools, the total area of water space; for sports halls, the number of badminton courts and for health and fitness facilities, the number of fitness stations). In addition, the access arrangements for each facility was categorised in terms of the access arrangements as follows:

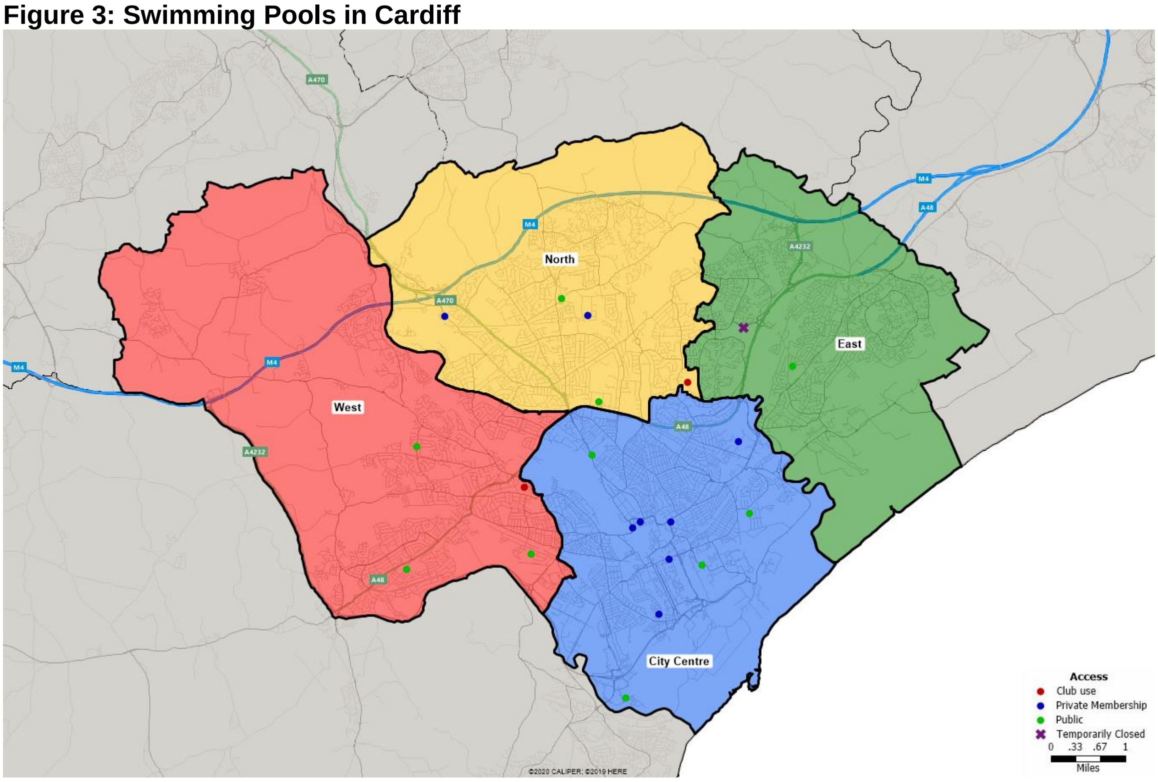
- **Public**: a publicly accessible facility that can be booked by members of the public on a one-off basis
- **Private**: a facility that has restricted access, e.g. via membership or on a hotel site and only open to residents
- **Dual-use**: a facility on a school site that is publicly accessible outside of school hours.

2.12. It should be noted that as Pentwyn Leisure Centre is currently closed to the public, it has been excluded from the following analysis (although its location is shown on the maps that follow).[2]

2.13. The distribution of the facility types are shown in Figure 3, Figure 4 and Figure 5. The maps also classify the facilities by access types.

*Swimming Pools Facility Supply*

**Figure 3: Swimming Pools in Cardiff**




2.14. A summary of the swimming pool provision is shown in Table 1.

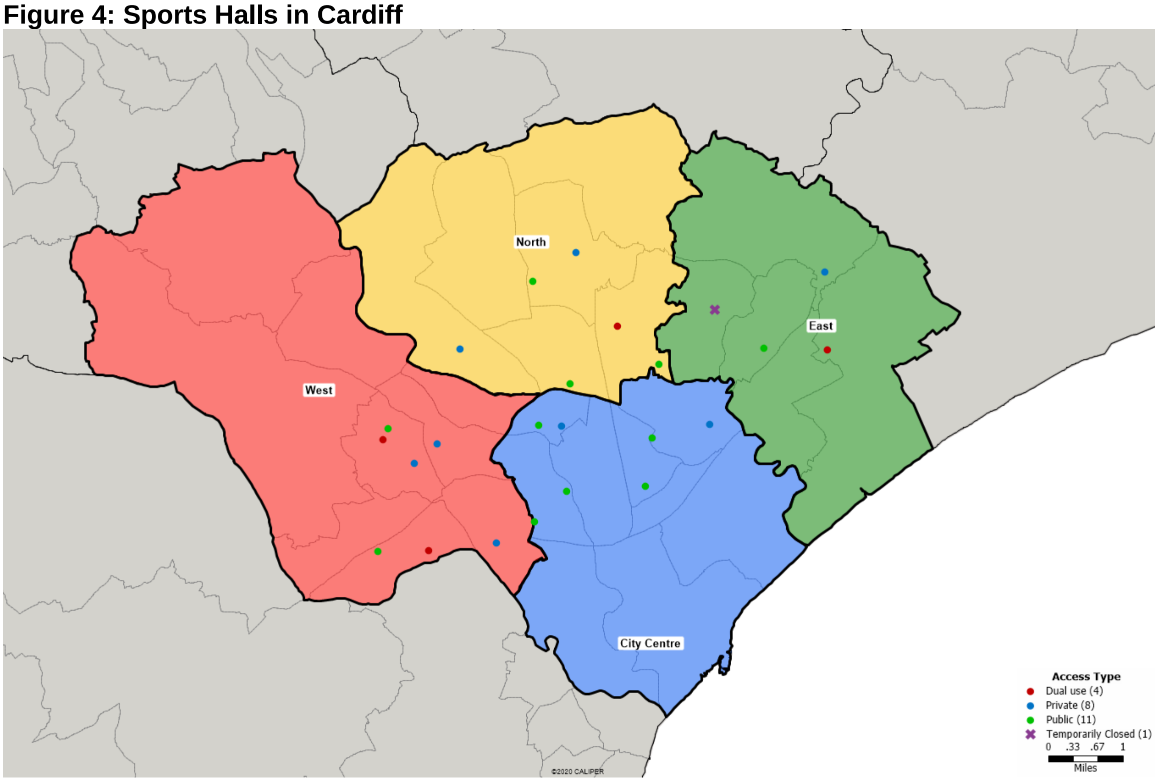
[2] The Council is, however, actively considering investment and refurbishment options for Pentwyn and the intention is that it will re-open at some point in the future (timescales to be determined).

**Table 1: Summary of Swimming Pools Provision in Cardiff**

| No. | Zone | No. of Swimming Pools | Pool Water Area (sqm) | No. of Public & Dual Use Swimming Pools | Public & Dual Use Pool Water Area (sqm) | % Public Water Space |
|---|---|---|---|---|---|---|
| 1 | City Centre | 10 | 3,253 | 4 | 2,168 | 66.6% |
| 2 | East | 2 | 313 | 2 | 313 | 100.0% |
| 3 | North | 5 | 1,600 | 3 | 1,150 | 71.9% |
| 4 | West | 4 | 1,170 | 4 | 1,170 | 100.0% |
| **5** | **City (total)** | **21** | **6,335** | **13** | **4,800** | **75.8%** |

*Sports Halls Facility Supply*

**Figure 4: Sports Halls in Cardiff**



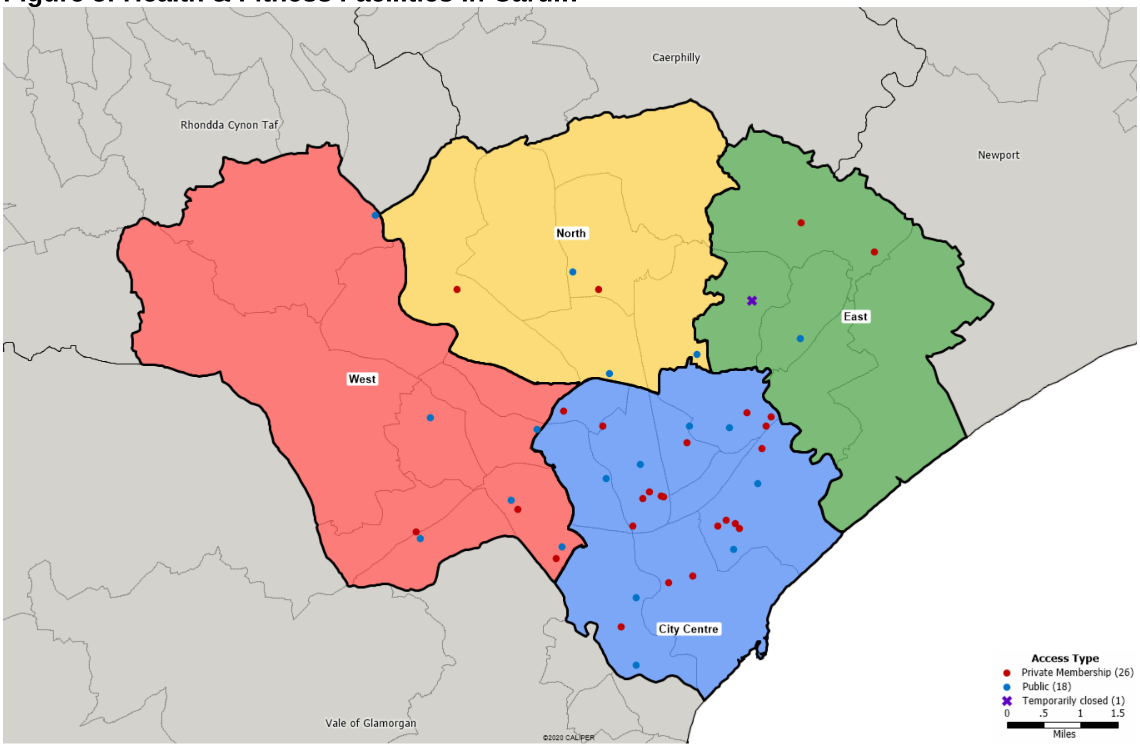

2.15. A summary of the sports hall provision is shown in Table 2.

**Table 2: Summary of Sports Hall Pools Provision in Cardiff**

| No. | Zone | No. of Sports Halls | Total Badminton Courts | No. of Public & Dual Use Sports Halls | Total Public & Dual Use Badminton Courts | % Public Courts |
|---|---|---|---|---|---|---|
| 1 | City Centre | 7 | 35 | 5 | 27 | 77.1% |
| 2 | East | 4 | 11 | 2 | 7 | 63.6% |
| 3 | North | 6 | 32 | 4 | 25 | 78.1% |
| 4 | West | 7 | 21 | 4 | 13 | 61.9% |
| **5** | **City (total)** | **24** | **99** | **15** | **72** | **72.7%** |

*Health & Fitness Facility Supply*

**Figure 5: Health & Fitness Facilities in Cardiff**




2.16. A summary of the health & fitness provision is shown in Table 3.

**Table 3: Summary of Health & Fitness Provision in Cardiff**

| No. | Zone | No. of H&F Gyms | Total Stations | No. of Public H&F Gyms | Total Public Stations | % Public Stations |
|---|---|---|---|---|---|---|
| 1 | City Centre | 27 | 1,642 | 8 | 572 | 34.8% |
| 2 | East | 4 | 320 | 2 | 120 | 37.5% |
| 3 | North | 5 | 338 | 3 | 188 | 55.6% |
| 4 | West | 9 | 440 | 6 | 240 | 54.5% |
| **5** | **City (total)** | **45** | **2,740** | **19** | **1,120** | **40.9%** |

*Summary of Facility Supply*

2.17. In summary, the above tables show the following:

- Three-quarters of the swimming provision in the city is in publicly accessible facilities (i.e. either in public or dual use venues), with about half of the overall provision being in the city centre zone
- The distribution of the publicly accessible swimming pools is more evenly distributed, although, given the closure of Pentwyn, it is unsurprising that the East is the zone with the fewest facilities
- The situation is similar for sports halls with just under 75% of the provision being in publicly accessible facilities. Unlike swimming pools, the distribution is more even across the four zones, although the East again has the fewest facilities
- The picture is different for health and fitness provision with a much greater percentage (circa 60%) being in private provision. The overall provision is heavily skewed to the City Centre zone (60% of the total) and it is also the zone with the greatest reliance on private provision.

***Facility Demand***

2.18. The previous section sets out the supply of facilities across the city. The next step was to consider the demand for those facility types. This was achieved in two ways:

- For swimming pools and sports halls, the *Sports Facility Calculator* (SFC) was used
- For health & fitness facilities, a model was created that used the population data and applied to it a typical penetration rate.

2.19. The *Sports Facility Calculator* (SFC) is a tool that has been developed by Sport England. It is a simple model that generates a high-level estimate of demand for a given population size and profile. It does not take into account issues such as demand that is imported from communities around the border of the study area nor any demand from within the study area that is exported to other areas. Nevertheless, in the context of this study and the four zones of the city that were considered, it provided a useful tool to estimate the demand from the city's population.

2.20. Although the preset demographic data within the SFC is for English local authorities and other administrative areas, the model can be adjusted to fit other areas. To tailor it to Cardiff, the following inputs were altered:

- The overall population numbers were manually inputted as being those for the city as a whole and the four zones (using 2021 Census data via Maptitude GIS)
- The male and female age profile of the city was adjusted to reflects Cardiff's from the 2021 Census.

2.21. This information is summarised in Table 4.

**Table 4: Cardiff Population Summary**

| Age Group | Male% | Female % | Male Population | Female Population | Total Population |
|---|---|---|---|---|---|
| 0 to 4 | 5% | 5% | 8,894 | 9,222 | 18,116 |
| 5 to 9 | 5% | 5% | 8,894 | 9,222 | 18,116 |
| 10 to 15 | 5% | 6% | 8,894 | 11,066 | 19,960 |
| 16 to 19 | 5% | 6% | 8,894 | 11,066 | 19,960 |
| 20 to 24 | 20% | 23% | 35,576 | 42,419 | 77,995 |
| 25 to 29 | 14% | 12% | 24,903 | 22,132 | 47,035 |
| 30 to 34 | 9% | 8% | 16,009 | 14,754 | 30,764 |
| 35 to 39 | 8% | 6% | 14,230 | 11,066 | 25,296 |
| 40 to 44 | 6% | 5% | 10,673 | 9,222 | 19,894 |
| 45 to 49 | 5% | 4% | 8,894 | 7,377 | 16,271 |
| 50 to 54 | 4% | 4% | 7,115 | 7,377 | 14,492 |
| 55 to 59 | 4% | 4% | 7,115 | 7,377 | 14,492 |
| 60 to 64 | 3% | 3% | 5,336 | 5,533 | 10,869 |
| 65 to 69 | 2% | 2% | 3,558 | 3,689 | 7,246 |
| 70 to 74 | 2% | 2% | 3,558 | 3,689 | 7,246 |
| 75 to 79 | 1% | 2% | 1,779 | 3,689 | 5,467 |
| 80 to 84 | 1% | 1% | 1,779 | 1,844 | 3,623 |
| 85 to 89 | 1% | 1% | 1,779 | 1,844 | 3,623 |
| 90+ | 0% | 1% | 0 | 1,844 | 1,844 |
| **Total** | **100%** | **100%** | **177,879** | **184,431** | **362,310** |
| | | | | **City Centre** | **133,312** |
| | | | | **East** | **63,257** |
| | | | | **North** | **75,636** |
| | | | | **West** | **90,105** |

2.22. For health and fitness facilities, the analysis was based on applying a typical penetration rate and members per station to the relevant populations (city as a whole and the four zones) to create an estimate of the demand that would be generated. The exact parameters used were as follows:

- Penetration rate: 13%[3]
- Members per station: 25.5
  - This is based on the median benchmark from TSC's *Facilities Index*, which contains nearly 1,700 financial years of data from over 570 public leisure facilities in the UK.

[3] Source: https://www.puregym.com/blog/uk-fitness-report-gym-statistics/#gym-usage

2.23. From here, to create an overall view on the adequacy of supply compared to demand (i.e. the net supply and demand position) for all three facility types, the following analysis was undertaken:

- the estimate of demand was compared to the facility supply at a city and zonal level to provide an overall supply and demand balance
- using Maptitude GIS software an estimate of the percentage of the population at a city and zonal level that is within a 3-mile travel distance of a facility was created (again considering all facilities and publicly accessible facilities as two separate scenarios). This provided insight on the spatial coverage of the facility provision compared to population distribution. In addition to this, the same exercise was undertaken for Council facilities only.

2.24. For both areas, two core scenarios were provided:

- supply and demand balance based on all facilities
- supply and demand balance based on publicly accessible facilities only

2.25. In addition, as Cardiff's population is projected to grow significantly (and more than any other Welsh local authority) over the next 10 to 15 years, an indicative future supply and demand balance scenario (assuming supply remains unchanged) was also provided. This was based on the Welsh Government projection that the city's population will grow to 444,700 by 2039[4]. Any growth in population will bring with it a greater demand for sport and leisure facilities, so this scenario provides a high-level assessment of future surpluses or deficits.

*Swimming Pool Supply and Demand Balance*

2.26. The supply and demand balance for swimming pools is summarised in Table 5.

**Table 5: Swimming Pool Supply and Demand Balance**

| | | | | | | | | | | | | | CURRENT | | FUTURE (2039) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. | Zone | 2021 Population | Population 15-64 | No. of Swimming Pools | Pool Water Area (sqm) | No. of Public & Dual Use Swimming Pools | Public & Dual Use Pool Water Area (sqm) | No. of Swimming Pools per 1,000 population | Pool Water Space per 1,000 population (sqm) | No. of Public & Dual Use Swimming Pools per 1,000 population | Public & Dual Use Pool Water Space per 1,000 population (sqm) | SFC Demand Estimate | Supply vs Demand Balance (All) | Supply vs Demand Balance (Public only) | Supply vs Demand Balance (All): 2039 | Supply vs Demand Balance (Public only): 2039 |
| 1 | City Centre | 133,312 | 104,114 | 10 | 3,253 | 4 | 2,168 | 0.075 | 24.40 | 0.030 | 16.26 | 1,491 | 1,761 | 676 | 1,422 | 337 |
| 2 | East | 63,257 | 41,900 | 2 | 313 | 2 | 313 | 0.032 | 4.94 | 0.032 | 4.94 | 720 | -407 | -407 | -571 | -571 |
| 3 | North | 75,636 | 47,868 | 5 | 1,600 | 3 | 1,150 | 0.066 | 21.15 | 0.040 | 15.20 | 790 | 810 | 360 | 631 | 181 |
| 4 | West | 90,105 | 59,033 | 4 | 1,170 | 4 | 1,170 | 0.044 | 12.98 | 0.044 | 12.98 | 977 | 193 | 193 | -29 | -29 |
| **5** | **City (total)** | **362,310** | **252,915** | **21** | **6,335** | **13** | **4,800** | **0.058** | **17.49** | **0.036** | **13.25** | **3,978** | **2,357** | **822** | **1,452** | **-83** |

2.27. The facility coverage for swimming pools is summarised in Table 6.

[4] https://www.gov.wales/sites/default/files/statistics-and-research/2018-12/160929-local-authority-population-projections-2014-based-en.pdf

**Table 6: Swimming Pool Facility Coverage**

| No. | Zone | Population within 3 miles of All Swimming | % coverage | Population within 3 miles of Public Swimming | % coverage |
|---|---|---|---|---|---|
| 1 | City Centre | 133,312 | 100% | 133,312 | 100% |
| 2 | East | 60,831 | 96% | 50,597 | 80% |
| 3 | North | 73,999 | 98% | 68,581 | 91% |
| 4 | West | 80,706 | 90% | 77,611 | 86% |
| **5** | **City (total)** | **348,848** | **96%** | **330,101** | **91%** |

| | |
|---|---|
| Total Population with 3 miles of a Council Swimming Pool: | 275,084 |
| | 76% |

*Sports Hall Supply and Demand Balance*

2.28. The supply and demand balance for sports halls is summarised in Table 7.

**Table 7: Sports Hall Supply and Demand Balance**

| No. | Zone | 2018 Population | Population 15-64 | No. of Sports Halls | Total Badminton Courts | No. of Public & Dual Use Sports Halls | Total Public & Dual Use Badminton Courts | No. of Badminton Courts per 1,000 population | No. of Public & Dual Use Badminton Courts per 1,000 population | SFC Demand Estimate | CURRENT: Supply vs Demand Balance (All) | CURRENT: Supply vs Demand Balance (Public only) | FUTURE (2039): Supply vs Demand Balance (All): 2039 | FUTURE (2039): Supply vs Demand Balance (Public only): 2039 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | City Centre | 133,312 | 104,114 | 7 | 35 | 5 | 27 | 0.26 | 0.20 | 44.78 | -10 | -18 | -20 | -28 |
| 2 | East | 63,257 | 41,900 | 4 | 11 | 2 | 7 | 0.17 | 0.11 | 18.82 | -8 | -12 | -12 | -16 |
| 3 | North | 75,636 | 47,868 | 6 | 32 | 4 | 25 | 0.42 | 0.33 | 20.59 | 11 | 4 | 7 | 0 |
| 4 | West | 90,105 | 59,033 | 7 | 21 | 4 | 13 | 0.23 | 0.14 | 25.68 | -5 | -13 | -11 | -19 |
| **5** | **City (total)** | **362,310** | **252,915** | **24** | **99** | **15** | **72** | **0.27** | **0.20** | **109.87** | **-11** | **-38** | **-36** | **-63** |

2.29. The facility coverage for sports halls is summarised in Table 8.

**Table 8: Sports Hall Facility Coverage**

| No. | Zone | Population within 3 miles of All Sports Halls | % coverage | Population within 3 miles of Public Sports | % coverage |
|---|---|---|---|---|---|
| 1 | City Centre | 133,312 | 100% | 133,312 | 100% |
| 2 | East | 62,173 | 98% | 57,671 | 91% |
| 3 | North | 73,327 | 97% | 68,586 | 91% |
| 4 | West | 79,312 | 88% | 78,030 | 87% |
| **5** | **City (total)** | **348,124** | **96%** | **337,599** | **93%** |

| | |
|---|---|
| Total Population with 3 miles of a Council Sports Hall: | 344,046 |
| | 95% |

*Health & Fitness Facilities Supply and Demand Balance*

2.30. The supply and demand balance health & fitness facilities is summarised in Table 9.

**Table 9: Health & Fitness Facilities Supply and Demand Balance**

| | | | | | | | | | | | | CURRENT | | | FUTURE (2039) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Zone | 2018 Population | Population 15+ | Daytime Population | No. of H&F Gyms | Total Stations | No. of Public H&F Gyms | Total Public Stations | No. of H&F Stations per 1,000 population | No. of Public H&F Stations per 1,000 population | Demand Estimate | Demand Estimate (Daytime Population) | Supply vs Demand Balance (All) | Supply vs Demand Balance (Public only) | Supply vs Demand Balance (All & Daytime Population) | Supply vs Demand Balance (All): 2039 | Supply vs Demand Balance (Public only): 2039 | Supply vs Demand Balance (All & Daytime Population): 2039 |
| | | | | | | | | | *Assume penetration rate (Population 15+) >* | *13.0%* | | | | | | | |
| | | | | | | | | | *Members per station >* | *25.5* | | | | | | | |
| City Centre | 133,312 | 104,114 | 182,530 | 27 | 1,642 | 8 | 572 | 12.32 | 4.29 | 531 | 727 | 1,111 | 41 | 915 | 991 | -79 | 750 |
| East | 63,257 | 41,900 | 56,805 | 4 | 320 | 2 | 120 | 5.06 | 1.90 | 214 | 192 | 106 | -94 | 128 | 58 | -142 | 85 |
| North | 75,636 | 47,868 | 75,148 | 5 | 338 | 3 | 188 | 4.47 | 2.49 | 244 | 242 | 94 | -56 | 96 | 38 | -112 | 40 |
| West | 90,105 | 59,033 | 71,325 | 9 | 440 | 6 | 240 | 4.88 | 2.66 | 301 | 238 | 139 | -61 | 202 | 71 | -129 | 148 |
| **City (total)** | **362,310** | **252,915** | **385,808** | **45** | **2,740** | **19** | **1,120** | **7.56** | **3.09** | **1,289** | **1,399** | **1,451** | **-169** | **1,341** | **1,157** | **-463** | **1,023** |

2.31. The facility coverage for health & fitness facilities is summarised in Table 10.

**Table 10: Healthy & Fitness Facility Coverage**

| No. | Zone | Population within 3 miles of All H&F Gyms | % coverage | Population within 3 miles of a Public H&F Gym | % coverage |
|---|---|---|---|---|---|
| 1 | City Centre | 133,312 | 100% | 133,312 | 100% |
| 2 | East | 62,256 | 98% | 56,696 | 90% |
| 3 | North | 74,175 | 98% | 73,282 | 97% |
| 4 | West | 86,038 | 95% | 83,291 | 92% |
| **5** | **City (total)** | **355,781** | **98%** | **346,581** | **96%** |

| | |
|---|---|
| Total Population with 3 miles of a Council H&F Gym: | 346,909 |
| | 96% |

*Summary of Supply and Demand Analysis*

2.32. In summary, the above tables show the following:

- Other than the East zone, swimming provision appears to be adequate with supply meeting demand
- In the East, there is a deficit of around 400sqm of water space which reflects the closure of Pentwyn Leisure Centre (which provided 660sqm)
- Facility coverage for swimming reflects the above with 91% of the city's population being within three miles of a venue; however, this varies from 100% in the City Centre to 80% in the East, reflecting the point made above about Pentwyn
- Three-quarters of the city's population is within three miles of a Council swimming pool, which suggests that these are accessible to the majority
- In terms of sports halls, there is a general undersupply in the city other than in the North. As a city level, this equates to 11 courts when all facilities are taken into account
- On a zonal basis, the undersupply varies from 5 courts in the West to 10 in the City Centre. The closure of Pentwyn Leisure Centre (4 courts) will have contributed to the undersupply in the East
- Facility coverage for sports halls is more satisfactory with 93% of the city's population being within three miles of a venue. It varies from 100% in the City Centre to 87% in the West. This means that only a small percentage of the population is significantly distant from a facility; however, they may struggle to access them at the times required due to the estimated undersupply
- Ninety-five percent of the city's population is within three miles of a Council sports hall. As with swimming, this indicates that they are widely accessible

- For health & fitness, when all facilities are considered, supply more than meets demand across the city. However, when only publicly-accessible venues are considered, there are undersupplies in all bar the City Centre region (totalling 169 stations). The largest undersupply is in the East region (94 stations), which again is likely to be a consequence of the closure of Pentwyn (circa 30 stations)
- The analysis demonstrates that the city is heavily dependent on private sector provision for meeting demand
- Ninety-six percent of the city's population is within three miles of a Council health & fitness facility.

***Consultation***

2.33. As outlined in section 1, the empirical analysis set out above was supplemented by consultation with two key stakeholders in the city:

- Cardiff University
- Cardiff Met.

2.34. A summary of this consultation is set out below

*Cardiff University Consultation*

2.35. Cardiff University has four existing facilities:

- A sports training village with an indoor sport offering that includes 18 badminton courts, but no pool. It is location near Maindy Leisure Centre and many of their halls of residence
- Playing fields – 33-acre site of grass pitches with 1 AGP
- Fitness and conditioning centre – essentially gym and studio
- Studio 49 – standalone fitness studio.

2.36. In terms of the playing fields, they have just signed a 30-year lease with Cardiff City FC for half of the site to serve as the location for the club's academy. With this money, the university has built six new AGPs to make the remaining half of the site all AGP. The total cost of this was circa £6 million.

2.37. The university has previously held discussions with the Council and GLL about potentially taking over the lease and operation of Maindy Leisure Centre. These discussions have stalled; however, the university is keen to re-open them as they believe it is a sensible option and it is currently their preferred route for expanding their provision.

2.38. If nothing comes of this option, the university would then look at expanding their offering at the nearby sports training village. This would include a 3-netball-court extension and a new swimming pool to meet their current demand (18 badminton courts is not currently meeting their indoor demand).

2.39. All of their current facilities have community access (as well as student) and the expectation is that any new or refurbished facilities would follow that model.

*Cardiff Met Consultation*

2.40. Cardiff Met has four existing facilities:

- Cyncoed Campus: this is the main facility and includes 12 badminton courts, a 90-station gym, studio, indoor athletics track, hockey pitch, 2 squash courts, 25m, 4-lane pool, 4 indoor tennis courts, 2 AGPs, 2 grass pitches and an outdoor athletics track
- Llandaff: circa 50-station gym, 2 full size grass pitches, 2 grass 5-a-side pitches and gymnastics studio
- Cardiff West Campus: the university manages the facilities of Cardiff West Community High School, which includes an AGP, a grass pitch, a studio and 3-court hall.
- Eastern Community Campus: the university operates this community facility, which includes an AGP, 4-court hall, studio, tennis courts and MUGA.
- Studio one: a standalone studio and spin studio

2.41. The university had a fairly advanced project for a new build centre on the existing Cyncoed campus, with a 6-lane 25m pool, 8-court hall, health & fitness gym and studios. This has been paused for a few years due to affordability issues. There are no other plans for major redevelopment (only a new strength and conditioning facility for students only).

2.42. They have capacity challenges, especially for pitches, and are likely to start exploring options to expand their outdoor pitch offering, be that leasing/part-leasing an existing facility or purchasing land. This will probably require further engagement with the Council.

2.43. All current facilities have public access (as well as for students) and any new facility would continue this model (with the exception of the new strength and conditioning facility, which will be for students only).

***Comparison of Cardiff's Leisure Provision with Swansea, Newport and Cardiff***

2.44. The final part of the facility provision review was to compare the data on overall and publicly accessible provision set out earlier in this section with that of the three other major conurbations in Wales, i.e. Swansea, Newport and Cardiff. The purpose of this was to provide some further context in terms of how Cardiff's provision compares to similar settlements.

2.45. The results of this analysis are set out in Table 11, Table 12 and Table 13. The cells shaded in green are those where provision per 1,000 is above average; those in red are where it is below.

**Table 11: Comparison of Swimming Provision**

| | Pool Water Space per 1,000 population (sqm) | Public & Dual Use Pool Water Space per 1,000 population (sqm) |
|---|---|---|
| Cardiff | 17.49 | 13.25 |
| *City Centre* | *24.40* | *16.26* |
| *East* | *4.94* | *4.94* |
| *North* | *21.15* | *15.20* |
| *West* | *12.98* | *12.98* |
| Swansea | 15.80 | 13.03 |
| Newport | 11.01 | 4.88 |
| Wrexham | 14.31 | 12.29 |

**Table 12: Comparison of Sports Hall Provision**

| | No. of Badminton Courts per 1,000 population | No. of Public & Dual Use Badminton Courts per 1,000 population |
|---|---|---|
| Cardiff | 0.27 | 0.20 |
| *City Centre* | *0.26* | *0.20* |
| *East* | *0.17* | *0.11* |
| *North* | *0.42* | *0.33* |
| *West* | *0.23* | *0.14* |
| Swansea | 0.17 | 0.16 |
| Newport | 0.20 | 0.00 |
| Wrexham | 0.35 | 0.16 |

**Table 13: Comparison of Health & Fitness Provision**

| | No. of H&F Stations per 1,000 population | No. of Public H&F Stations per 1,000 population |
|---|---|---|
| Cardiff | 7.56 | 3.09 |
| *City Centre* | *12.32* | *4.29* |
| *East* | *5.06* | *1.90* |
| *North* | *4.47* | *2.49* |
| *West* | *4.88* | *2.66* |
| Swansea | 3.38 | 0.71 |
| Newport | 5.11 | 1.38 |
| Wrexham | 3.76 | 0.48 |

2.46. In summary, the above tables show the following:

- In comparison to other Welsh cities, all zones of Cardiff compare favourably in terms of swimming provision other than the East, which reflects the closure of Pentwyn Leisure Centre
- Sports hall provision generally compares well with other Welsh cities, with only Wrexham have a higher level of provision per head of population
- Health & fitness provision compares favourably to other Welsh cities, with the City Centre being particularly strongly provided for.

***Overall Summary***

2.47. The analysis of facility provision brought together an audit of key facility types and a demand assessment for the city, consultation with key partners and a comparison with the other major conurbations in Wales.

2.48. The key findings are as follows:

- The quantity of swimming provision is on the whole satisfactory across the city. The exception to this is the East where the closure of Pentwyn means that there is an undersupply
- The quantity of sports hall provision is less adequate compared to demand, other than in the north zone. However, overall provision per 1,000 population is better than in the three other major conurbation in Wales
- The quantity of health and fitness provision in the city is more than adequate to meet demand; however, it is unevenly distributed with the majority of provision being in the City Centre zone. The city is also heavily dependent on the private sector provision for meeting demand
- There are opportunities for joint work with the Council's key partners, in particular Cardiff University in relation to their aspirations for a new site either at Maindy or close by
- Overall, Cardiff compares favourably across the three facility types with Swansea, Newport and Wrexham.

# 3. Leisure Management Contract Options Appraisal

***Introduction***

3.1. The second part of the review concerned the Council's leisure management contract with GLL. GLL originally took on the management of the Council's leisure facilities from the Council's in-house service in December 2016 on a 15-year term. As part of this, GLL invested around £3.4 million in the facilities over a period following commencement.

3.2. The impetus for this review follows a report[5] concerning the contract from the Welsh Audit Office (WAO) submitted to the Council October 2022. This report, in turn, succeeded a earlier report from October 2020 which reported on work undertaken prior to the Covid-19 pandemic. One of the recommendations from the later report concerned the Council's risk management and stated:

> *"The Council needs to assure itself that it has effective actions to mitigate the risk of the GLL contract failing, including **exploring different service delivery options as a contingency**."*

3.3. Therefore, this part of the Leisure Review concerns that final statement (in bold) and considers the alternative service delivery options open to the Council should they need to find an alternative in the event of the contract failing.

3.4. The process followed to achieve this was as follows:

- Review of Council's existing contract with GLL
- Review of the management options
- Key characteristics of the management options
- Current leisure operator market position
- Review and benchmarking of current financial and non-financial performance
- Financial and non-financial appraisal of the options
- Evaluation of the options
- Implementation plan and timescales for preferred option.

***Review of the Council's Existing Leisure Management Contract***

3.5. The outsourcing of leisure management services to specialist operators emerged as a trend in local authority leisure from Compulsory Competitive Tendering in the late-1980s. Since then, the number of outsourced contracts has steadily grown to a situation where, in the UK as a whole, around two-thirds of local authority contracts are outsourced. However, the trend varies across the four nations of the UK, with outsourcing being strongest in England followed by Wales.

3.6. In parallel, the operator market has developed and matured and now consists of a mixture of private companies and leisure trusts. The approach to and scope of the contracts themselves have also evolved.

[5] Report can be accessed here: https://www.audit.wales/sites/default/files/publications/cardiff_leisure_follow-up_review.pdf

3.7. Starting in the early-2000s, various best practice toolkits have been developed to assist local authorities who are looking to outsource their leisure service. Nowadays, Sport England's *Leisure Services Delivery Guidance* provides the model that local authorities should look to follow. It consists of an overall guidance document and a suite of template documents (see 3.8 below) that should form part of any leisure management contract. It has been developed as a collaboration between the major leisure operators, local authorities and leisure consultants. In part, it has established a range of mutually acceptable positions on risk transfer between councils and operators.

3.8. As with any type of contract, there are a range of documents and schedules; however, the primary ones that should be included are as follows:

- **The Leisure Operating Contract (LOC)**: this is the legal contract between Council and operator and forms the main document
- **The Services Specification**: this forms a schedule to the LOC and sets out in detail the services and standards an operator is expected to deliver
- **Service Delivery Proposals**: these form a schedule to the LOC and are the method statement responses that should be provided by the operator at tender stage (and cover a range of key requirements stipulated by the Council)
- **The Payment and Performance Monitoring System (PMS)**: this document forms a schedule to the LOC and links directly to the Services Specification. It sets out in the detail the annual management fee arrangement between Council and operator as well as a framework through which the operator can accrue penalty points and ultimately financial deductions for non-performance
- **LOBTA**: this is the Leisure Operator's Base Trading Account and forms another schedule to the contract. It sets out the operator's income and expenditure plan for each facility/service area within the contract and, ultimately, how the management fee for the contract is derived. As such, it provides a clear understanding of the basis for the financial arrangement between the Council and operator and assists in any loss of income claims (see Table 14) and, as such, it also should form a schedule to the LOC
- **Surplus Share**: this sets out the framework for how any surplus beyond the baseline LOBTA position (i.e. any financial over-performance) is shared between the operator and the Council. It is another schedule to the LOC
- **Benchmarking**: there are different elements to this; however, the key one (Utilities Benchmarking) sets out the approach to sharing of utilities risk between local authority and client (cost and consumption)
- **NNDR**: this sets out the how NNDR and the application for NNDR relief is covered. GLL, as a charitable entity, is entitled to 80% mandatory relief (which should be passed back to the Council via the LOBTA and management fee). In particular, it sets out when an adjustment to the management fee can be requested due to a failure to obtain NNDR relief on the part of GLL or due to a change in law

- **Loss of Revenue**: this sets out rates that will be used for any loss of income claims (e.g. in the situation of unexpected building closure through no fault of the operator) and should link to the LOBTA. It is another schedule to the LOC
- **Asset Management Responsibilities Matrix**: this document typically forms an appendix to the Services Specification (although it can also be a schedule to the main LOC in its own right). The purpose of it is to set out a clear framework of responsibility for maintaining, repairing and replacing each element of the facilities within the contract. It is a very detailed document that will cover to the level of items like doors, windows, floor surfaces, walls, lockers, etc, as well as structural and more functional items such as the roof, sub-structure, plant, etc.

3.9. Table 14 provides a commentary against each of these areas for the GLL contract with the Council. The purpose of this is to present a comparison of the GLL contract with what typically would be expected to be contained in a LOC, rather than a very detailed, line-by-line examination of the GLL contract.

**Table 14: Review of the Council's Existing Contract with GLL**

| Item | Included in GLL contract documentation? | Commentary |
|---|---|---|
| Leisure Operating Contract (LOC) | Yes | The partnership between the Council and GLL is governed overall by the LOC.<br>The structure of it reflects that of the LSDG template with the key elements that should be included, beyond the Benchmarking schedule, present (as discussed below). |
| Services Specification | Yes<br>Schedule 1 to LOC | The is one of the critical documents as it sets out clearly the standards of service that an operator must deliver. Amongst other areas, it covers items such as programming and pricing controls, opening hours, quality management, asset management and repairs and maintenance, financial and performance reporting, environmental and energy management, cleaning, customer services, health and safety management, etc.<br>The Council's specification does not reflect the structure of the latest template document, which in part will be a result of when the contract was procured. However, it does cover most of the areas that it should. The main sections that appear to be missing concern safeguarding, equalities, social value and cleaning.<br>In addition, for asset maintenance, the specific section within the specification is relatively light with most of the expected detail being included in the asset management responsibilities matrix (e.g. asbestos, statutory compliance, grounds maintenance).<br>The Services Specification should sit back-to-back with the Payment and Performance Monitoring System (see below). |
| Service Delivery Proposals | Yes<br>Schedule 2 to LOC | The Service Delivery Proposals are the written method statement responses that the operator should have provided as part of the tendering process. They set out clearly their proposed approach to certain key areas of the Services Specification. The areas covered by these documents is at the discretion of the Council; however, typically they would cover around 8-10 themes, including issues such as the approach to programming and pricing, asset management, cleaning, staffing, sports and community development, marketing and customer care, financial management and reporting, catering and contract mobilisation. |

| Item | Included in GLL contract documentation? | Commentary |
|---|---|---|
| | | For this contract, there are the following:<br>• Overall Approach to Partnership<br>• Programming and Charging<br>• Managing People and Change<br>• Managing Facilities.<br>These four method statements broadly cover the key areas that would be expected. Those areas that are neglected would appear to be financial management and reporting, marketing and customer care and catering. |
| Payment and Performance Monitoring System | Yes<br>Schedule 6 to the LOC | The PMS covers two areas:<br>1. It should clearly set out the **management** fee payable (either to or by the Council) on an annual basis through the life of the contract and the indexation procedure for the management fees to take into account inflation<br>2. It should set out a framework by which the operator accrues **penalty points and ultimately financial deductions** for non-performance against a range of the Services Specification requirements. The framework sets out all of the areas for which penalty points can be accrued, the rectification time the operator has to put them right and the points that apply if this is not achieved. The rectification times will vary from less than an hour for business-critical issues (e.g. chemical spillages, the centre not being open at the required time) to a number of days or a week for less serious issues.<br>These two elements are covered in the Council's LOC. The management fee and indexation method (1 above) are set out in sections 2 and 3 of Schedule 6 and conform to the LSDG template.<br>The framework for penalty points and financial deductions is set out in section 4 to 7 of Schedule 6. It provides a detailed explanation of the performance standards, rectification times, penalty points for failure to rectify and financial penalties linked to the accumulation of points. |
| LOBTA | Yes<br>Schedule 25 to the LOC | The LOBTA is the operator's detailed income and expenditure projections for each of the facilities or service areas within the contract and should be included as a schedule to the LOC.<br>The purpose of this document is to set out what the operator is projecting in detail at each centre across the life of the contract. It should show income broken down by key areas (e.g. swimming, memberships, classes, etc) and expenditure by key cost centres (staffing, repairs and maintenance, cleaning, utilities, profit, head office overhead). This schedule becomes particularly useful for the Council when it comes to negotiating any variations to the contract (e.g. for facility investment improvements) or for loss of revenue (due to a specific relief event). It provides transparency and confidence that any changes agreed are in line with what the operator proposed at the outset of the contract. It should also align with the management fee table set out in the Payment and Performance Monitoring System.<br>GLL's LOBTA is included in Schedule 25 of the LOC. |
| Surplus Share | Yes | The purpose of the Surplus Share schedule is to set out a clear mechanism by which any financial overperformance (compared to the agreed management fee) is shared between the Council and the |

| Item | Included in GLL contract documentation? | Commentary |
|---|---|---|
| | Schedule 19 to the LOC | operator. This can be done as a fixed share of any overperformance or a variable share based on difference levels of overperformance, e.g. first £50,000, £50,000-£100,000, over £100,000. This schedule ensures that if performance is - for whatever reason – better than that estimated, the Council receives some of the benefit.<br>The Council's LOC includes details on the Surplus Share in Schedule 19. It clearly sets out a 50:50 approach to sharing over performance. |
| Benchmarking | No | The Benchmarking schedule sets out the mechanism for addressing two issues: (1) the development of new competing **facilities** within the catchment area of each of the facilities in the contract during the contract period; and (2) sharing the cost of abnormal fluctuations in **utilities tariff** rates during the contract period.<br>This schedule is not used in the Council's LOC. This is not necessarily a weakness. Competing Facilities benchmarking is still included as an option within Sport England's LSDG; however, it is no longer seen as a mandatory element to include. The fact that it has not been included is to the Council's advantage in that GLL bears the full risk of new competing facilities being developed.<br>In terms of utilities, the absence of benchmarking means that all risk rests with GLL. This is covered in clause 29 of the LOC. While this position is to the advantage of the Council, the significant increases in utilities tariff rates experienced in the past 18 months has presented all leisure operators with operational challenges. It is highly unlikely that GLL (or any other operator) would accept the current contractual risk position in a future contract with the Council.[6] |
| NNDR | Yes<br>Schedule 16 to the LOC | The purpose of the NNDR schedule is to set out the how NNDR and the application for NNDR relief is covered.<br>This is covered in line with the LSDG best practice in Schedule 16. |
| Loss of Revenue | Yes<br>Schedule 23 to the LOC | As set out in the LOBTA section above, the Loss of Revenue schedule sets out clear rates that should be applied to the different income-generating areas of the building in the event of a relief event or the requirement for the Council to use some or all of the building for a period due to unforeseen circumstances. In effect, it mitigates the requirement for lengthy negotiation between the Council and operator in these situations.<br>This is covered in line with the LSDG best practice in Schedule 23. |
| Asset Management Responsibilities Matrix | Yes<br>Appendix 4 of Schedule 1 (Services Specification) | The Council's Services Specification does include a schedule of maintenance responsibilities (Appendix 4).<br>This document states that GLL is responsible for servicing and maintaining all items in line with statutory and manufacturer recommendations. In terms of replacement, there is a shared approach with responsibility for certain items resting with the Council and others with GLL. |

[6] It should be noted that the Council made an additional utilities payment to GLL of nearly £200,000 in the 2022-23 financial despite there being no utilities benchmarking provision in the contract.

| Item | Included in GLL contract documentation? | Commentary |
|---|---|---|
| | | Within the main body of the Services Specification, there is further detail on responsibilities for maintenance and repair. Although this approach provides a reasonably sound basis for allocating asset management responsibility, it does still leave some scope for interpretation and dispute, particularly in terms of repair of items when they break. A more comprehensive approach would involve including a detailed Asset Management Responsibilities Matrix for each facility that breaks the building down into all of its constituent parts and allocates responsibility between Council and operator for (a) maintenance; (b) repair; and (c) replacement. This approach provides a very clear allocation of risk and reduces the scope for dispute. |

***Review of the Management Options***

3.10. There are typically five options considered by local authorities concerning the management of leisure centres and they are:

- Option A: Outsourcing to a leisure operator (i.e. retendering of the current management arrangement)
- Option B: In-house management
- Option C: Establishing a local authority trading company (Teckal)
- Option D: Establishing a new leisure trust
- Option E: Asset transfer.

3.11. Of these, option A and option C are currently the two most commonly considered, although given the recent VAT ruling from HMRC (see below), some local authorities are now considering option B (i.e. bringing the service back under their direct management). Option D (establishing a leisure trust) was previously a popular option; however, following several high profile trust failures in recent years and the emergence of option C (local authority trading company), which mirrors many of its benefits, it is significantly less common now. Option E, which involves disposal of facilities on a long-lease or similar, is rarely used for leisure centres given the complexity of their operation and their importance to local communities. The options tends to be more commonly used for the disposal of smaller leisure sites, e.g. pavilions and bowling greens.

***Characteristics of the Management Options***

3.12. The review covered the following for each option:

- Structure
- Key features (advantages and disadvantages)
- Current market conditions
- Risk transfer
- Council control.

### *OPTION A: OUTSOURCING TO A LEISURE OPERATOR*

*Structure*

3.13. Under this arrangement, the Council is the "client" and manages the operation of the leisure centres under a contract with a third party. This is the model that the Council has used since 2016 (with GLL). Nowadays, the arrangement should be based on a detailed Services Specification and Performance Monitoring System, as well as an over-arching leisure operating contract (LOC) and lease. It is advisable that the contractual documentation is based on Sport England's *Leisure Services Delivery Guidance* (see contract review section above).

3.14. The management opportunity would be defined by a number of key heads of terms, including:

- A fixed contract period (typically ten to 15 years)
- An annual management fee payable either by the operator to the Council or by the Council to the operator
- An annual surplus share mechanism whereby any financial overperformance from the baseline management fee position would be shared between client and operator
- A Services Specification setting out the client's requirements in respect of the delivery of the management services (typically including aspects such as pricing, programming, customer care, cleaning, opening hours, maintenance, and quality management etc.).
- The operator undertakes management of the facilities, gathering all income generated and being responsible for the majority of operational costs incurred. Typically, the client would retain some responsibilities and risks (usually in respect of structural repairs and maintenance and utilities tariff increases) and incur costs in respect of these responsibilities. These risks can be transferred depending on the age and quality of the facilities, but this typically comes at a risk price premium. As a rule, it is easier to transfer these risks for new facilities.
- Staff are employed by the operator and the majority of operating risks of the services are also transferred to them, although they would incorporate their own profit margin within the management fee agreed with the council and achieve this profit margin by delivering the projected financial performance.
- The Council would monitor the operational performance and service standards delivered by the operator, such that any failures to perform may be subject to financial deductions (through the Performance Monitoring System).

*Key Features*

3.15. This remains the most common option for local authorities in the UK, although its popularity is strongest in England and, to a lesser extent, Wales. The key advantages of outsourcing are as follows:

- Retains the current VAT[7] and NNDR benefits

[7] The recent successful challenge on VAT treatment for in-house leisure management (see option B) has led to many of the leisure operators considering agency contractual structures to access the same benefits. The exact structure and implications of this alternative are still emerging.

- Benefits from commercial expertise of a partner
- Lowest residual risk option for the council
- No new governance costs and lower ongoing client-side costs
- Operator buying power/economies of scale typically underpins stronger financial return for the council
- Fixed annual management fee position and surplus share mechanism to define how any financial over-performance is shared
- More efficient delivery, freed from the constraints of local authority decision making
- Risk of financial underperformance borne by the partner
- Risk of company failure covered by a parent company guarantee (where available) or performance bond.

3.16. The key disadvantages of outsourcing are as follows:

- One-off procurement costs and process
- Limited day-to-day control
- Risk of suppressed post-Covid market (although there are growing signs of recovery and operator interest in new opportunities – see leisure operator market review section below)
- The market is dominated by a small number of larger operators.

*Case Study: Winchester City Council*

3.17. In 2019, Winchester City Council appointed Everyone Active to manage the new £42 million Winchester Sport and Leisure Park (which subsequently opened in May 2021) following a competitive tendering exercise. The contract term is for 15 years with the option, at the Council's discretion, of an extension of up to five years. The contract documentation was based on Sport England's Leisure Services Delivery Guidance and included the following:

- A Services Specification
- A Performance Monitoring System
- Asset Management Responsibilities Matrix
- The Leisure Operator's Base Trading Account (LOBTA) – this is essentially the financial business plan that sets out the management fee arrangement over the term of the contract
- A Leisure Operating Contract.

3.18. The Services Specification sets out in detail the Council expectations and requirements for the service, targets that Everyone Active needs to achieve and reporting requirements. Included in this are details such as specific protected hours of usage for certain local sports clubs and the approach to pricing (i.e., those prices the council retains control over and those that the operator is free to set). The Performance Monitoring System details the penalties for non-performance against the specification and the Asset Matrix clearly defines the split of responsibility (for repair, maintenance and replacement) of all elements of the building.

*Risk Transfer*

3.19. This option offers the greatest level of risk transfer for the Council. All day-to-day operational and staff risk is passed to the operator with the Council typically retaining any historic pension risks, certain asset risks (often relating to building structure) and change in law risk. The risk of operator failure can be mitigated by a Parent Company Guarantee (if relevant) or a performance bond with the operator.

*Council Control*

3.20. Inevitably, this option offers the lowest level of control over the service. It will be governed by the terms of the Services Specification and Leisure Operating Contract. A decision on the level of control will be strongly influenced by a Council's desire to maximise their financial return (the greater the control, the less the financial return).

***OPTION B: IN-HOUSE MANAGEMENT***

*Structure*

3.21. Until the early 1990s and the arrival of Compulsory Competitive Tendering, in-house management of leisure services was the dominant operational model. Since that time, its share of the market has declined as local authorities have followed the opportunities offered by outsourcing and the creation of local leisure trusts. In this model, the local authority retains ownership of its facilities and directly manages them. In more recent times (and, in particular, in the wake of the Covid-19 pandemic and following the recent VAT ruling - see below)), there have been examples of local authorities bringing services back in-house, particularly in the major metropolitan areas (e.g., Haringey, Southwark and Lambeth).

3.22. The key characteristics are as follows:

- The Council has direct responsibility for the management and operation of the facilities and services
- All staff are employed by the Council
- The Council receives all income generated by the facilities
- The Council is responsible for all expenditure incurred in the delivery of the services
- The services use the central support services of the Council (e.g., payroll, HR, technical services)
- All financial and operating risks remain with the Council
- Responsibility for all asset maintenance remains with the Council
- A Leisure Operating Contract.
- The Council is less likely to be able to benefit from National Non-Domestic Rates (NNDR) and VAT benefits of other models (however, see note below).

3.23. Under this option the Council retains complete control over the service. However, it does not address risk transfer issues and may not protect the service from future local government funding constraints. Leisure remains a non-statutory service and will need to compete for the Council's budget against other statutory priorities.

*Note on Treatment of VAT under In-house Management*

3.24. The supply of sporting services is currently exempt from VAT if those services are provided by an eligible body (essentially a non-profit making body that is not subject to commercial influence). The UK previously made a distinction between non-profit making bodies (e.g. a charity) and those governed by public law (e.g., a local authority).

3.25. However, the requirement to treat the provision of leisure services as a business activity was challenged by Chelmsford City Council (2022), Midlothian Council (2020) and Mid-Ulster District Council (2020 & 2022). These three authorities formed a tribunal and the matter was considered by the courts who found in their favour. HMRC challenged the decision; however, it was unsuccessful and they have subsequently confirmed that they have no intention to take it any further.

3.26. The consequence of this case is that local authorities can now treat leisure services as non-business for VAT purposes. What this means is that local authorities no longer have to charge and pay output VAT on income and are also able to recover input VAT on expenditure (essentially, there is no irrecoverable VAT that needs to be accounted for). This improves the financial attractiveness of this option for local authorities, although there are other financial implications that still need to be considered, e.g. NNDR (see below).

*Key Features*

3.27. The key advantages of in-house management are as follows:

- Potential for closer strategic alignment across Council departments
- Potential for closer and more flexible working relationship with important community groups
- Any efficiencies gained from improved trading are retained by the Council
- Council has direct control over the service
- No corporate recharges or operator profit margin
- Cost and business plan transparency.

3.28. The key disadvantages of in-house management are as follows:

- Council bears all staffing and operational risk (and the financial consequences)
- No NNDR benefits
- Likely additional staff costs due to need to equalise terms and conditions with other council staff
- Increased pension liability (due to LGPS)
- Additional support services costs (e.g., payroll, HR)
- Council not structurally set up to manage leisure services directly and consequent need for additional recruitment
- No existing infrastructure for sourcing and managing specialist staff or equipment
- Lack of buying power/economies of scale compared to established leisure operator
- As an in-house service, the leisure centres would be more vulnerable to future budget constraints.

*Case Study: London Borough of Richmond-upon-Thames*

3.29. Richmond is an outer London borough with a population of 196,000. The Council has always managed its leisure facilities directly and the portfolio includes the following:

- Pools in the Park in Richmond
- Teddington Pool and Fitness Centre
- Teddington Sports Centre (at Teddington School)
- Hampton Sports and Fitness Centre
- Shene Sports and Fitness Centre
- Whitton Sports and Fitness Centre.

3.30. As of late-2023, the Council is considering outsourcing in conjunction with their neighbours Wandsworth.

*Case Study: London Borough of Southwark*

3.31. Southwark is an inner London borough with a population of 320,000. Its portfolio of facilities includes:

- The Castle
- Camberwell Leisure Centre
- Dulwich Leisure Centre
- Peckham Pulse Healthy Living Centre
- Seven Islands Leisure Centre
- Surrey Docks Water Sports Centre
- Geraldine Mary Harmsworth Sports Facility
- Southwark Park Athletics Centre.

3.32. In the early 2000s, the Council transferred the management of these facilities to a new leisure trust (Fusion Lifestyle). Subsequently, this contract was retendered in 2014-15 and awarded to Everyone Active. In 2021, the Council decided that it would bring the service back in-house on expiry of this contract in June 2022.

*Risk Transfer*

3.33. As this option involves the direct management of leisure facilities by the local authority, there is no transfer of operational risk away from the Council.

*Council Control*

3.34. In this option, the Council retains complete control over the service.

***OPTION C: ESTABLISHING A LOCAL AUTHORITY TRADING COMPANY (TECKAL)***

*Structure*

3.35. This is a relatively new option in local authority leisure and bears similarities to both in-house management (option B) and the creating of a trust (option D). It has come about, in part, due to the decline in popularity of outsourcing in some sectors. The majority of outsourced contracts operate successfully and continue to deliver significant financial savings; however, in other cases problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. As outlined above, in leisure it is still a relatively new option with only a very limited number of local authorities having chosen it. Therefore, it is still fairly untested.

3.36. It offers some clear advantages over other service delivery models. Local authorities can keep direct control over their providers, offering an opportunity for any profits to come back into the authority. Creating a separate company also lets the service or activity move away from the constraints of the council's decision-making processes, becoming more agile and responsive to changes in demand or funding.

3.37. The key characteristics of it are as follows:

- The Council establishes a new wholly owned company, typically as a non-profit distributing entity to enable it to access VAT and NNDR benefits
- The Council contracts with the new company for a defined term to deliver leisure services (there is no requirement to undertake a competitive procurement process providing that 80% or more of the services are on behalf of the council)
- The new company must demonstrate sufficient independence from the council
- A board is established to oversee the operation of the company. This will include some senior council officers
- The new company has direct responsibility for the management and operation of the facilities and services
- The Council agrees a business management and management fee arrangement for the contract term
- All staff are employed by the company (terms and conditions can differ from Council staff)
- The company receives all income generated by the facilities
- The company is responsible for all expenditure incurred in the delivery of the services
- The Council may provide certain central support services to the company (e.g., payroll, HR, technical services) or the company may choose to source them from elsewhere
- All day-to-day operational risks rest with the company
- Responsibility for all asset maintenance is defined by an asset management responsibilities matrix that defines the split of responsibility between council and company.

*Key Features*

3.38. The key advantages of a local authority trading company are as follows:

- Council retains ownership and ultimate control
- Opportunity for culture change (compared to in-house management or outsourcing)
- More efficient delivery, freed from the constraints of local authority decision making
- Independent directors can add value and external expertise
- Clarity of separate roles and company
- VAT and NNDR benefits from NPDO status
- Any surpluses/over performance can flow directly to the Council.

3.39. The key disadvantages of a local authority trading company are as follows:

- Council bears ultimate risk of financial underperformance and company failure
- High initial set-up costs required
- New governance costs to recruit board members
- Transferring staff may not cover the full range of expertise required, so additional roles required
- Company must put in place a pension fund for staff
- Company will need to arrange for central support services to be provided by the Council or source the separately
- Potential for confusion between Council and company roles and responsibilities
- Council as main source of capital investment
- Lack of buying power/economies of scale mean that certain costs may be higher (e.g., utilities, equipment).

*Case Study: South Kesteven District Council*

3.40. In 2020, South Kesteven District Council (SKDC) established LeisureSK as a company to manage its leisure facilities. It was set up as a private Company Limited by Guarantee with no share capital and as an NPDO (so that it can access NNDR relief and VAT benefits). It is wholly owned by SKDC. In order to satisfy HMRC on the VAT position of the new company, it was necessary to put in place formal agreements that demonstrated the independence of the company from SKDC. Set up costs amounted to £500,000.

SOUTH KESTEVEN DISTRICT COUNCIL

3.41. In January 2021, it took on the management responsibility for the Council's four leisure centres following the termination of their contract with 1Life. The facilities are:

- Grantham Meres Leisure Centre
- Stamford Leisure Pool
- Bourne Leisure Centre
- Deepings Leisure Centre.

3.42. SKDC entered a five-year agreement with LeisureSK to deliver the leisure management services at the four centres. This agreement is underpinned by a business plan that sees SKDC paying a management fee to LeisureSK for the first four years. The business plan includes support cost recharges which SKDC will provide to LeisureSK (and receive payment for). These include finance support, ICT, asset management and HR. SKDC also retained responsibility for repairs and maintenance items above £5,000.

3.43. In Augus 2021, the Council closed Deepings Leisure Centre as they could not afford the required £10.7 million refurbishment.

3.44. In late-2023, the Council signalled that it was considering outsourcing again by commencing a soft market testing exercise.

3.45. Other councils that have followed this route include:

- **London Borough of Hounslow**: established Lampton Leisure to manage its leisure facilities. Lampton Leisure is a subsidiary of Lampton Group, which is a council wholly owned company that includes other companies delivering waste and recycling, property and parks and green spaces services
- **King's Lynn and West Norfolk Council**: established Alive West Norfolk to manage its leisure facilities
- **Redditch Borough Council**: established Rubicon Leisure to manage its leisure and cultural facilities.

*Risk Transfer*

3.46. On a day-to-day basis, this option transfers operational and staff risk away from the Council. However, as a wholly-owned council entity, the ultimate risk of financial underperformance and company failure (and any consequent retendering, or equivalent, costs) remains with the Council.

*Council Control*

3.47. The Council can retain control over elements of the service (e.g. pricing); however, as with the outsourcing option, the terms of this would be enshrined in the Services Specification and Leisure Operating Contract. A decision on the level of control will be strongly influenced by the council's desire to maximise their financial return (the greater the control, the less the financial return).

***OPTION D: ESTABLISHING A NEW LEISURE TRUST***

*Structure*

3.48. In the early 2000s, this was a very popular model for local authorities, particularly for those seeking a middle way between traditional in-house management and outsourcing to a specialist operator. In the last ten years, its popularity has diminished significantly. This has been primarily driven by two factors. Firstly, there have been a few well-publicised trust failures (e.g., East Hertfordshire, London Borough of Sutton). Secondly, there have been a number of local authorities, particularly in the south of England, who have taken advantage of the expiry of their leisure trust's initial term to test the market. The outcome of this has been that the council in question has discovered that they were able to achieve a significantly better financial position allied to strong management experience through partnering with one of the main leisure operators. Examples of this include Arun District Council, Test Valley District Council and Dacorum Borough Council.

3.49. This option remains the dominant model in Scotland and, to a lesser extent, Wales. In England, where councils are seeking the middle way between in-house and outsourced management, the local authority trading company (Teckal) approach (option C) is showing signs of becoming the preferred route for similarly minded local authorities, although as outlined under that option, it is still a fairly untested route in the leisure market.

3.50. In this option, the Council establishes a new organisation to run its facilities. There are a number of forms which the organisation could take. The most common include a Company Limited by Guarantee or Industrial and Provident Society. There are significant similarities between this option and in-house management via a Teckal company in that the Council would be establishing a new, arms-length organisation to manage its facilities.

3.51. The key characteristics of the operation of services by a new trust are as follows:

- The Council enters into a contract and specification for the management and operation of the service/facilities
- The assets, as per other options, would be transferred under a lease to the new trust
- In return for the services and management of the existing facilities, the trust receives an agreed fee from (or pays an agreed fee to) the council, probably in the form of an annual grant or a management fee
- The operating risks of the services would theoretically transfer to the new trust. However, it is important that the new trust has the financial resources to absorb unforeseen operational fluctuations. In practice, unless the trust has grown beyond the Council’s boundaries and won other contracts (e.g., Freedom Leisure, GLL or Fusion Lifestyle), this is rare
- The new trust may be a charity to take advantage of the fiscal benefits attached to charities including VAT and NNDR relief
- The trust will often initially have limited opportunity to raise capital finance, as it may have limited security and no trading history so necessitating careful consideration of business planning and budgeting
- Transferring staff may not cover the full range of expertise required, so additional roles required
- A new trust will typically be reliant on the Council’s back-office services (payroll, marketing, purchasing etc.), in the short term until it has become more established

3.52. The cost of setting up a new trust can vary significantly depending on the level of in-house resources available to support the process. Over recent years the leisure market has seen reducing interest in local authorities setting up trusts in the face of strong competition from established operators offering better value for money.

*Key Features*

3.53. The key advantages of trust management are as follows:

- Retains the current VAT and NNDR benefits
- Local community representation on the board
- Opportunity for culture change
- Objectives set out in constitution
- Committed partner
- Potential for return.

3.54. The key disadvantages of trust management are as follows:

- Council bears ultimate risk of financial underperformance and trust failure
- Complex structure and process
- High set-up costs

- New governance costs
- Needs committed board and workforce
- Success depends on attracting quality trustees with requisite skills and experience
- Needs to develop its own central support services
- No existing infrastructure for sourcing and managing specialist staff or equipment
- Lack of buying power/economies of scale mean that certain costs may be higher (e.g., utilities, equipment).

*Case Study: Runnymede Borough Council*

3.55. In November 2010, Runnymede Borough Council set up Achieve Lifestyle leisure trust to manage its leisure facilities. It is a Private Limited Company by Guarantee without share capital and a charitable NPDO.

3.56. The trust runs three facilities on behalf of the Council:

- Achieve Power Gym in Addlestone
- Egham Orbit
- Otium Spa (located within Egham Orbit).

3.57. The Egham Orbit is a new £20 million facility that opened in March 2019.

*Risk Transfer*

3.58. On a day-to-day basis, this option transfers operational and staff risk away from the Council. However, as a standalone entity that managed the council leisure facilities, the ultimate risk of financial underperformance and failure (and any consequent retendering, or equivalent, costs) remains with the Council. In cases where a council has established a leisure trust that has then increased its size (and financial strength) through acquisition of other contracts (e.g., Wealden District Council and Freedom Leisure or the London Borough of Greenwich and GLL), this risk has been mitigated.

*Control over Pricing and Programming*

3.59. Similar to option 3, the Council can retain control over elements of the service (e.g., pricing); however, as with the outsourcing option, the terms of this would be enshrined in the Services Specification and Leisure Operating Contract. A decision on the level of control will be strongly influenced by the council's desire to maximise their financial return (the greater the control, the less the financial return).

***OPTION E: ASSET TRANSFER***

3.60. This is rarely an option seriously considered by a council, unless it wishes to dispose of non-core assets to the private sector, other public bodies or community organisations in the face of budgetary constraints. There is no connected service agreement or funding arrangement. The Council may also wish to offer a long-term lease to an operator, but in order for the operator to be able to make the facilities commercially viable they may require a number of conditions, such as:

- The freedom to determine the facilities it provides and the pricing and programming to enable it to maximise the commercial opportunity
- The Council must address any defects in the facilities prior to transfer
- Upfront investment from the Council to enhance the assets, potentially in partnership with investment from the operator
- The client retains the risk in relation to any pension deficit associated with transferring employees
- A degree of freedom relating to future potential rationalisation of assets and/or the ability to develop some sites/elements of sites for commercial uses (noting this can often be in addition to maintaining/enhancing existing uses).

3.61. This option has been used in recent years by a number of local authorities for lido, e.g. Buckinghamshire Council for the Wycombe Rye lido.

***Current Leisure Operator Market Position (option A)***

3.62. Over the past three years, the leisure operator market has been through a period of turbulence due to the Covid-19 pandemic (and the implication it had on their contracts with local authorities) and the subsequent significant inflation and volatility in the utilities market witnessed in 2022 and 2023. Nevertheless, outsourcing remains the most prevalent option in local authority leisure and this section summarises the position of the market.

3.63. There are seven main leisure operators. Four of them (Everyone Active, Places Leisure, Parkwood Leisure and Serco Leisure) are companies that were originally established with the specific purpose of managing leisure facilities for public sector clients. However, they all have their own trust vehicles which enable them to access VAT and NNDR benefits available to non-profit distributing bodies. The other three (Freedom Leisure, GLL and Fusion Lifestyle) are charitable trusts that were originally established by a single local authority to manage its leisure portfolio (see option 4), but which have since grown through securing other contracts. A summary of the seven operators is set out below:

- GLL: they currently manage leisure centres at over 270 locations (including libraries) across England, Wales and Northern Ireland
- Places Leisure: they currently manage over 90 leisure centres and sports facilities for local authorities in England
- Everyone Active: they currently manage almost 160 leisure centres on the behalf of nearly 50 local authorities and trusts across England
- Parkwood Leisure: they currently manage more than 80 leisure centre facilities on behalf of 31 local authorities in England and Wales. In February 2023, Parkwood acquired 1Life, who at the time management circa 15 leisure centres in England.
- Serco Leisure: they currently manage circa 50 leisure centres on behalf of 17 local authority clients in England
- Freedom Leisure: they currently manage around 100 leisure centres on behalf of local authority clients in England and Wales

- Fusion Lifestyle: they currently manage around 70 leisure centres and sports facilities in England and Wales.

3.64. The operators vary in size and in their level of activity in bidding for new management contract opportunities. Places, Everyone Active, Parkwood and Freedom are typically the most active. During the Covid-19 pandemic, bidding for new contracts effectively ceased as local authorities postponed or put on hold tender processes and operators furloughed their bid teams. However, from mid-2021, there was a re-starting of the market and through 2022 and 2023, it gathered pace. There are now an increasing number of live opportunities that are being actively pursued by the operators.

***Review of Current Contract performance***

*Financial Performance*

3.65. To set the context for the financial analysis of the five management options, this section considered the current financial performance of the Council's contract with GLL. It is summarised in Table 15 and is based on the 2022-23 financial year, so represents the first full year of trading that was not impacted by any Covid restrictions.

## Table 15: Review of Financial Performance

| | Eastern Leisure Centre | Fairwater Leisure Centre | Llanishen Leisure Centre | Maindy Centre | Pentwyn Leisure Centre | Penylan Library & Community Centre | STAR Community Hub | Western Leisure Centre | CONTRACT TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | | | |
| Health & Fitness Memberships | £358,395 | £335,531 | £458,171 | £547,513 | £204 | £93,281 | £153,441 | £293,047 | **£2,239,582** |
| Health & Fitness Other | £84,245 | £69,299 | £171,765 | £59,037 | £0 | £13,869 | £27,411 | £79,575 | **£505,199** |
| Swimming | £493,249 | £317,930 | £759,086 | £404,155 | £57,810 | £33,150 | £221,722 | £328,550 | **£2,615,653** |
| Dryside | £22,349 | £12,141 | £65,984 | £1,177 | (£2,368) | £3,057 | £670 | £10,030 | **£113,039** |
| Outdoor | £84 | £0 | £26 | £0 | £0 | £0 | £0 | £63 | **£173** |
| F&B | (£290) | (£175) | £1,308 | (£180) | (£335) | (£65) | (£120) | £228 | **£371** |
| Vending | £693 | £175 | £237 | £8 | £16 | £526 | £25 | £1,509 | **£3,189** |
| Retail | £5,376 | £3,125 | £13,784 | £7,338 | £0 | £0 | £5,128 | £6,708 | **£41,459** |
| Other | £97,938 | £26,999 | £73,475 | £48,250 | £45,456 | £17,877 | £41,391 | £122,509 | **£473,895** |
| **TOTAL INCOME** | **£1,062,039** | **£765,024** | **£1,543,835** | **£1,067,299** | **£100,783** | **£161,696** | **£449,667** | **£842,219** | **£5,992,561** |
| **EXPENDITURE** | | | | | | | | | |
| Staffing | £565,240 | £517,039 | £767,129 | £663,481 | £133,915 | £115,101 | £386,198 | £662,070 | **£3,810,173** |
| Utilities | £200,509 | £162,497 | £255,389 | £246,003 | (£10,377) | (£6,619) | £138,558 | £261,626 | **£1,247,584** |
| Utilities Benchmarking | (£18,845) | (£18,629) | (£29,641) | (£80,708) | (£4,913) | £243 | (£8,821) | (£34,040) | **(£195,353)** |
| R&M | £164,609 | £129,076 | £186,001 | £125,750 | £25,855 | £25,907 | £66,445 | £89,702 | **£813,344** |
| Equipment | £7,560 | £2,909 | £17,495 | £5,223 | £1,407 | £8,528 | £4,126 | £8,993 | **£56,240** |
| NNDR | £19,982 | £8,988 | £18,137 | £18,145 | £16,371 | £3,029 | £9,245 | £20,263 | **£114,160** |
| Marketing | £20,188 | £7,247 | £32,015 | £19,166 | £2,363 | £1,859 | £5,173 | £13,851 | **£101,863** |
| Administration | £21,380 | £16,114 | £29,346 | £29,066 | £5,881 | £4,014 | £14,403 | £22,095 | **£142,299** |
| IT Costs | £24,823 | £21,892 | £31,384 | £27,712 | £14,810 | £9,994 | £15,896 | £23,554 | **£170,066** |
| Licences | £4,628 | £9,760 | £4,476 | £2,451 | £1,356 | £2,941 | £3,104 | £5,232 | **£33,947** |
| Irrecoverable VAT | £60,019 | £47,955 | £83,843 | £68,991 | £3,412 | £9,189 | £48,053 | £71,864 | **£393,327** |
| F&B Cost of Sales | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Vending Cost of Sales | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Depreciation | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| **TOTAL EXPENDITURE** | **£1,070,094** | **£904,848** | **£1,395,573** | **£1,125,278** | **£190,080** | **£174,185** | **£682,381** | **£1,145,209** | **£6,687,648** |
| **NET OPERATIONAL POSITION** | **(£8,055)** | **(£139,825)** | **£148,262** | **(£57,980)** | **(£89,297)** | **(£12,489)** | **(£232,713)** | **(£302,990)** | **(£695,087)** |
| Central Costs | £95,343 | £70,052 | £133,299 | £94,044 | £10,573 | £16,024 | £40,336 | £76,307 | **£535,978** |
| **NET POSITION** | **(£103,397)** | **(£209,876)** | **£14,963** | **(£152,024)** | **(£99,871)** | **(£28,513)** | **(£273,049)** | **(£379,297)** | **(£1,231,065)** |
| Total Throughput | 202,053 | 129,946 | 308,063 | 235,300 | | 35,451 | 77,171 | 155,707 | **1,143,691** |
| Memberships | 1,234 | 1,117 | 1,864 | 1,753 | | 294 | 568 | 1,050 | **7,880** |
| Swimming Lesson Programme | 1,121 | 558 | 1,230 | 700 | | 0 | 427 | 589 | **4,623** |

3.66. Overall, it can be seen that the contract operated at a significant loss once GLL's central overhead of £536,000 had been taken into account. The loss was £1.231 million. This figure includes a payment of £195,000 from the Council to contribute towards significant utilities cost increases (despite there being no utilities benchmarking in the contract and, therefore, the risk of tariff fluctuations resting with GLL).

3.67. To offset the loss, GLL received a management fee payment of £32,825 from the Council; however, this still left a loss on the year of just under £1.2 million, hence the concern raised by the WAO about the risk of contract failure (see above).

3.68. In terms of the individual centres, Llanishen is the strongest performing in terms of income (just over £1.5 million) and net position. It is the only one of the Council's eight facilities that delivered a financial surplus in 2022-23. After it, Eastern and Maindy are the next strongest in terms of income (both just over £1 million). Eastern delivers a deficit of circa £100,000 and Maindy £150,000. Pentwyn also represents a deficit of circa £100,000, although this should be considered in the context of its current status as closed to the general public (see section 2).

3.69. Income and expenditure for each of the centres is shown in Figure 6. The income apportionment of each of the centres is shown in Figure 7 and the net position in Figure 8.

**Figure 6: Income and Expenditure Summary for the Centres**

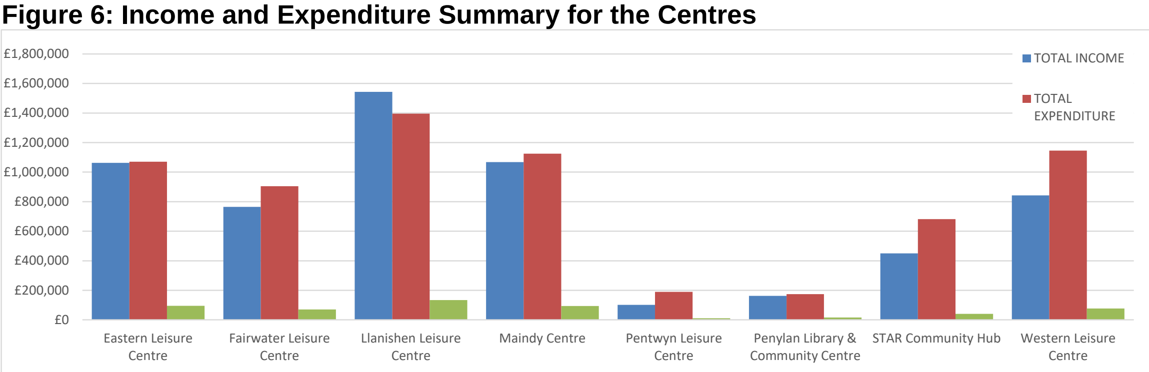


**Figure 7: Income Apportionment for the Centres**

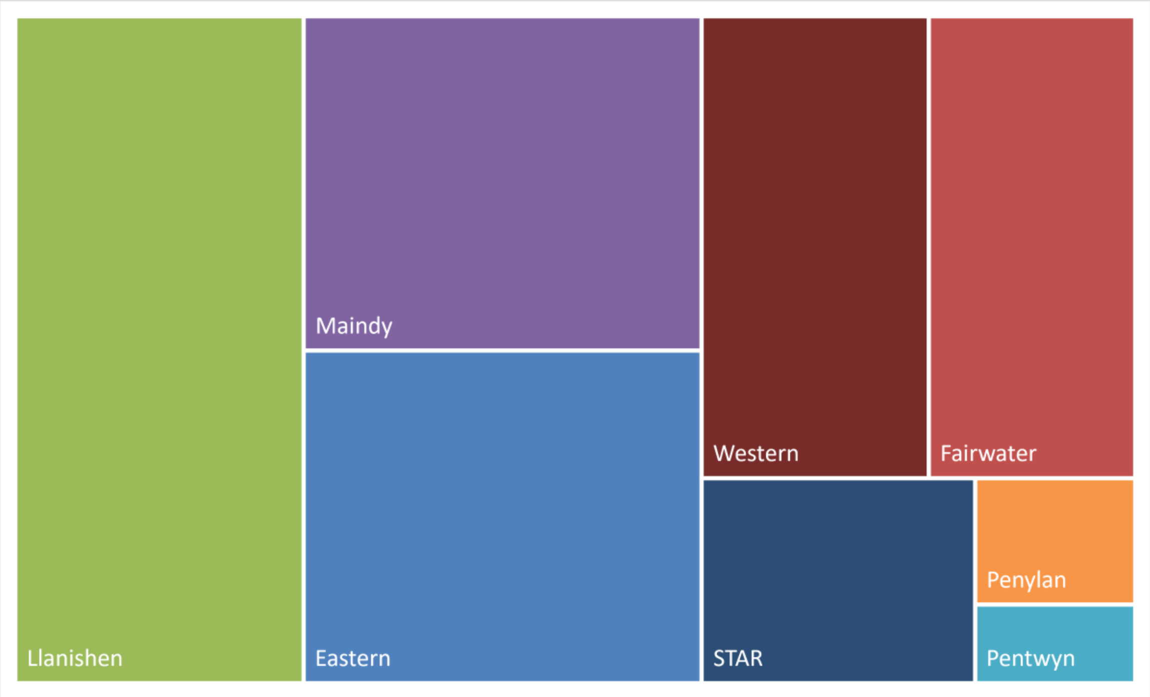
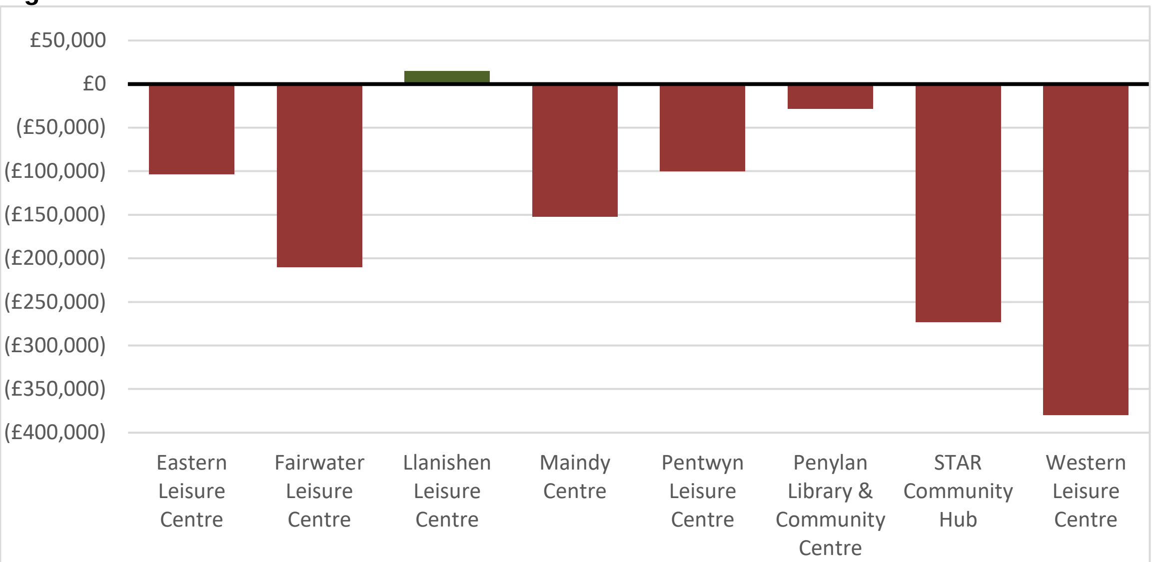


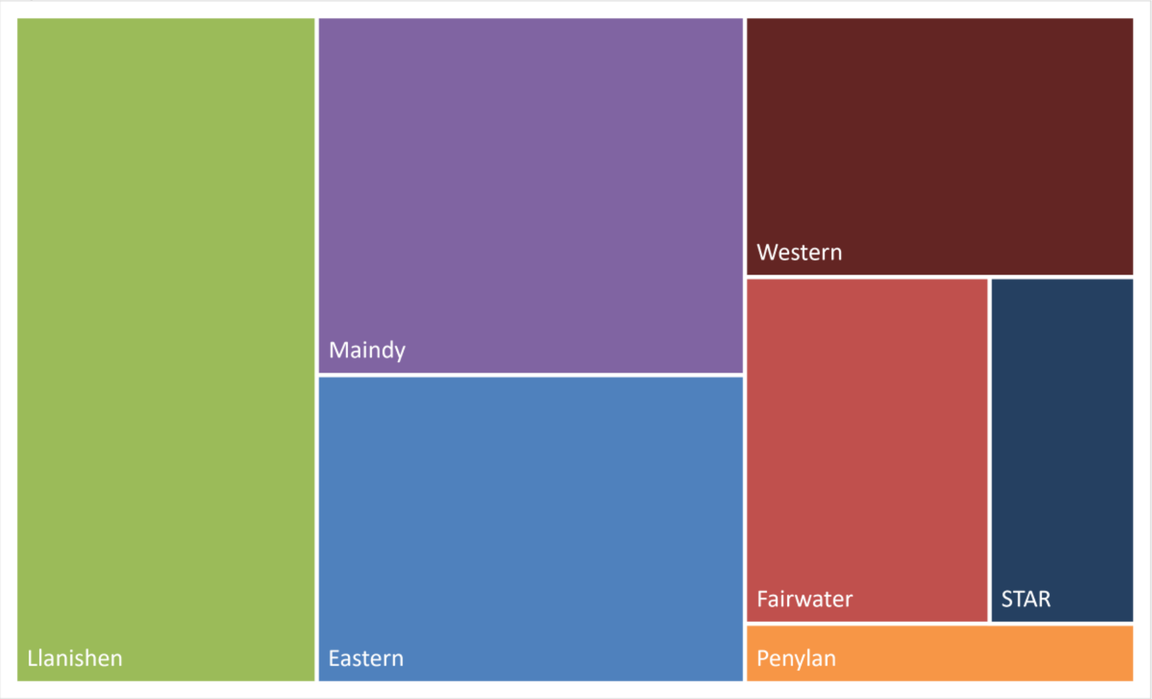

**Figure 8: Net Financial Position for the Centres**




*Non-financial Performance*

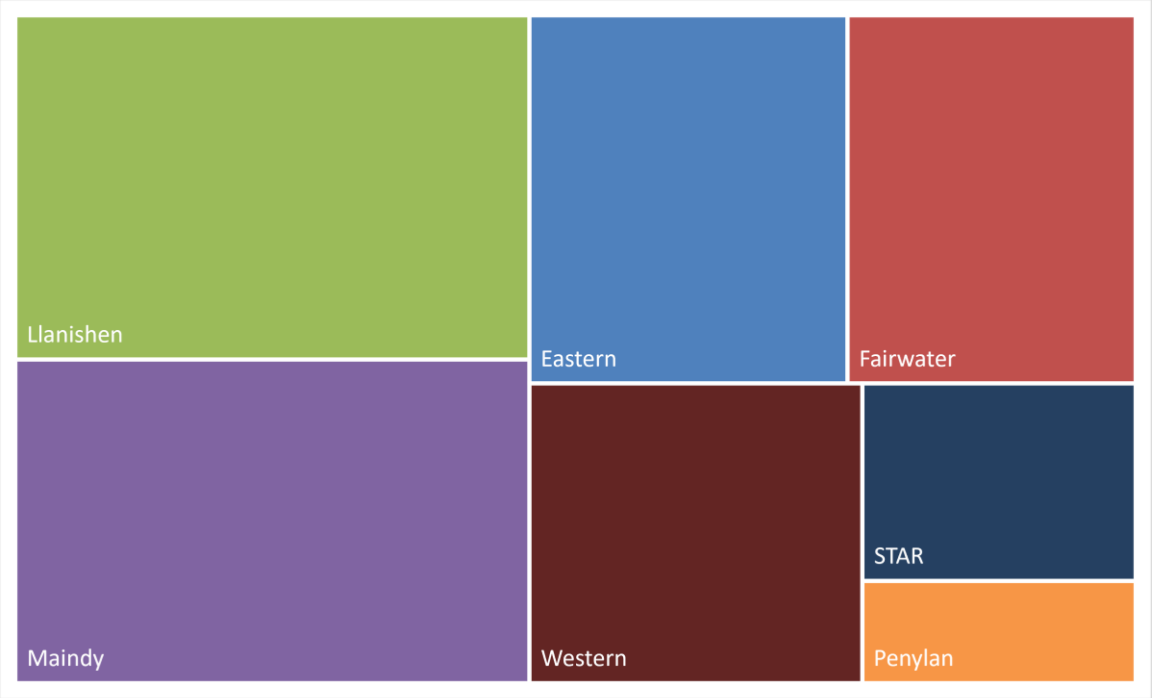
3.70. In terms of annual usage, performance reflects that of income above, with Llanishen delivering the most visits (308,000), followed by Maindy (235,000) and Eastern (200,000). Penylan has the lowest usage (35,000).

**Figure 9: Annual Visits for the Centres**




3.71. For memberships, the contribution of each of the centres is more even with Llanishen (1,860) Maindy (1,750) having the highest levels, followed by Eastern (1,230), Fairwater (1,110) and Western (1,050) behind them. Penylan has the fewest members (290).

**Figure 10: Annual Memberships for the Centres**




*Benchmarking of Performance*

3.72. The financial and non-financial performance set out above provides the absolute performance of each the centres; however, it does not take into account their relative sizes nor enable a comparison with elsewhere. Therefore, to complement this, a benchmarking analysis of performance was also undertaken. This served two purposes:

- By creating a series of common key performance indicators (KPIs) for each of the centres, a comparison of relative performance was possible
- These KPIs could then be compared to benchmark data from TSC's *Facilities Index.* This database contains nearly 1,700 financial years of data from more than 570 public leisure facilities in the UK. The value of this tool is that the benchmark data it generates enables performance for specific centres to be put in the context of what comparable facilities across the UK are achieving.

3.73. The benchmarks calculated were as follows and a summary can be found in Table 16.

INCOME KPIs

- Income per visit
- H&F income per station
- H&F yield per member per month
- Swimming income per sqm of water space
- Sports hall income per court
- Retail income per visit

EXPENDITURE KPIs

- Staffing costs as a % of income
- Utilities costs per sqm
- R&M costs per sqm
- Marketing costs as a % of income
- Administration costs as a % of income
- Licences costs as a % of income
- Central costs as a % of Income

USAGE KPIs

- H&F members per station
- No. on swimming lesson programme.

## Table 16: Benchmarking Summary

| | Eastern Leisure Centre | Fairwater Leisure Centre | Llanishen Leisure Centre | Maindy Centre | Pentwyn Leisure Centre | Penylan Library & Community | STAR Community Hub | Western Leisure Centre | TSC Median Benchmark |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME KPIs** | | | | | | | | | |
| Income per visit | £5.26 | £5.89 | £5.01 | £4.54 | n/a | £4.56 | £5.83 | £5.41 | **£4.54** |
| H&F Income per station | £4,918 | £10,121 | £9,264 | £8,665 | n/a | £1,509 | £3,617 | £9,316 | **£11,603** |
| H&F Yield per member per month | £24.21 | £25.04 | £20.48 | £26.03 | n/a | £26.46 | £22.50 | £23.25 | **£36.19** |
| Swimming Income per sqm of water space | £1,578 | £1,017 | £1,084 | £1,244 | n/a | n/a | £806 | £726 | **£1,381** |
| Sports hall income per court | £7,450 | £4,047 | £10,997 | n/a | n/a | £3,057 | n/a | £2,507 | **£18,376** |
| Retail income per visit | £0.03 | £0.02 | £0.04 | £0.03 | n/a | £0.00 | £0.07 | £0.04 | **£0.06** |
| **EXPENDITURE KPIs** | | | | | | | | | |
| Staffing costs as a % of income | 53.2% | 67.6% | 49.7% | 62.2% | 132.9% | 71.2% | 85.9% | 78.6% | **46.6%** |
| Utilities costs per sqm | £70.23 | £62.40 | £42.71 | £82.25 | -£2.10 | -£3.65 | £63.62 | £57.39 | **£64.46** |
| R&M costs per sqm | £57.66 | £49.57 | £31.10 | £42.04 | £5.24 | £14.30 | £30.51 | £19.68 | **£32.63** |
| Marketing costs as a % of income | 1.9% | 0.9% | 2.1% | 1.8% | 2.3% | 1.1% | 1.2% | 1.6% | **1.60%** |
| Administration costs as a % of income | 2.0% | 2.1% | 1.9% | 2.7% | 5.8% | 2.5% | 3.2% | 2.6% | **6.90%** |
| Licences costs as a % of income | 0.4% | 1.3% | 0.3% | 0.2% | 1.3% | 1.8% | 0.7% | 0.6% | **0.83%** |
| Central Costs as a % of Income | 9.0% | 9.2% | 8.6% | 8.8% | 10.5% | 9.9% | 9.0% | 9.1% | **5.10%** |
| **USAGE KPIs** | | | | | | | | | |
| H&F Members per station | 13.7 | 27.9 | 27.4 | 25.0 | n/a | 4.1 | 11.4 | 26.3 | **25.0** |
| No. on Swimming Lesson Programme | 1,121 | 558 | 1,230 | 700 | n/a | n/a | 427 | 589 | **1,137** |

3.74. On the income side, while overall income per visit compares favourably to TSC's benchmark (with the exception of Maindy), income specifically relating to health & fitness, swimming and sports halls is below benchmark levels.

3.75. For health & fitness, Fairwater, Llanishen and Western are the Council's strongest performing venues, which is also reflected in the members per station, all of which (along with Maindy) are above average. This is further shown in the yield per member per month, which is below the TSC benchmark for all facilities. Therefore, while actual member levels are more comparable to benchmarks, the consequent income levels are not, which suggests that the prices that can be charged in Cardiff are less than average.

3.76. For swimming income, Eastern is the exception in being above the benchmark. Maindy is a small way beneath the benchmark. The weakest financial performance for swimming is for Western.

3.77. Overall, the income benchmarking reflects the earlier income summary with Llanishen, Maindy Eastern being the strongest performing, followed by Western and Fairwater. The smaller facilities at STAR and Penylan understandably perform less well against benchmarks.

3.78. For expenditure, the centres generally perform much more strongly compared to benchmarks. In particular, utilities costs for all centres other than Eastern and Maindy are above the TSC benchmark (although this will partly have been influenced by the utilities benchmarking payment made to GLL). Also, repairs and maintenance costs are favourable compared to benchmarks, although it would be important to verify that GLL is undertaking all of its contracted responsibilities in this area (rather than simply spending less on repairs and maintenance).

3.79. The two areas where expenditure is above the TSC benchmarks is for staffing and GLL's central cost overhead. For the former, this may be a legacy of what is still a fairly recent first generation outsourcing and so it is likely that there is a greater proportion of staff on inherited local authority terms and conditions compared to those contracts that have been outsourced for longer.

3.80. For GLL's central cost overhead, performance is approaching 100% above benchmark; however, this should be considered in the context that GLL does not have a fixed profit margin within their financial offer. When these two items are considered together, the TSC benchmark is 9.5% of income. Therefore, in terms of total overhead costs, the figure is in line with the benchmark. If there contract were to be retendered, it is likely that all operators would price total overheads at this level.

*Deficit Reduction Plan*

3.81. As a consequence of contract's current financial underperformance (see Table 15), since September 2023, the Council and GLL have been engaging in a constructive dialogue to consider ways of reducing it. GLL has produced a deficit reduction plan, which has considered a range of measures, some of which have been accepted and some of which have not been approved. A summary of the key measures that are being actively considered is as follows:

- Proposals agreed:
  - Fairwater air handling unit improvements
  - Installation of solar panels across the portfolio

  - Installation of access control at Western Leisure Centre
  - Installation of access control at Eastern Leisure Centre
  - Approval of room hire options at Penylan Library and Community Centre (tenant identified)
- Proposals under consideration (awaiting further information or business case from GLL):
  - Removal of public swimming sessions at Fairwater Leisure Centre (City Wide Swimming Pool Programme Review)
  - Removal of public swimming sessions at STAR Hub (City Wide Swimming Pool Programme Review)
  - Installation of Play Product (centre to be confirmed)
  - Installation of indoor golf product (family/junior products - centre to be confirmed)
  - Increase on casual income lines through adjustments to pricing
  - Increase in health & fitness income through adjustments to pricing
  - Increase in swim school numbers and income
  - Anticipated decrease in utility tariff rates over next two years
  - Adjustment of contractual arrangement to Agency Agreement (exploration of Agency Agreement)[8].

3.82. In total, GLL has estimated that these proposals would ultimately improve the revenue position of the contract by circa £1.29 million, which would address the deficit shown in Table 15. The timing of these revenue improvements would depend on when (and if) they are approved and how long they take to implement, so achieving the full level of savings would not be achieved immediately, but rather they would be phased over an agreed period.

***Financial and Non-Financial Appraisal of the Options***

3.83. Having set out the management options and their characteristics and undertaken the financial analysis of current performance above, the next stage was to undertake the financial and non-financial appraisal of the options. This was the critical step in identifying the contingency option for the future should the contract with GLL fail. The analysis was broken down into three stages:

- Financial appraisal
- Non-financial appraisal
- Overall evaluation.

3.84. The outcome of this process was an objective analysis of the relative strengths and weaknesses of the options and an identification of the most appropriate options for the Council to pursue should the GLL contract fail.

3.85. The focus of the evaluation was on options A to D with option E (asset transfer) not considered in detail for the following reasons:

[8] The concept of an Agency Agreement is also covered in option A of the *Characteristics of the Management Options* section earlier.

- Under an asset transfer, although the Council would bear no (or minimal) ongoing cost for the service, it would also lose complete control and influence (beyond potentially an overall requirement for the buildings to remain as leisure facilities)
- It is unlikely that a single entity would take on the entire portfolio, so it would end up fragmented and with an inconsistent service level. As the leisure portfolio is important to the Council in contributing to its wider social objectives, this option is not appropriate.

*Financial Appraisal of the Options*

3.86. The financial appraisal was predicated on existing trading data used in the performance review above (i.e. 2022-23) and a series of assumptions for each option, which have been set out in more detail below.

3.87. The analysis was based only on the Council facilities within the GLL contract (i.e. Cardiff International Pool and Gym, Channel View Centre and Canton Community Hall were excluded).

3.88. It was assumed that all the existing facilities would remain operational in their current for the entire period under consideration. Clearly, as there is ongoing uncertainty over the ongoing role and form of Pentwyn, this may not be the case in the future; however, this assumption was made to give clarity to the analysis.

3.89. For all options, the analysis was based on a 10-year period from March 2024 and presented as an annual average position.

*Option A: Outsourcing to a Leisure Operator*

3.90. The assumptions on which option A was based were as follows:

- Income was based on 2022-23 and inflated to Q2 2024 based on a rate of 4.6% (informed by CPI data)
- Expenditure was based on 2022-23 inflated to Q2 2024 on the same basis as income
- NNDR was based on the figures for each of the facilities provided by the *www.gov.uk* website and the assumption that operator would benefit from 80% mandatory relief
- Operator head office overhead was based on TSC's benchmark data (4.9% of income)
- Operator profit margin was based on TSC's benchmark data (4.6% of income)
- No additional staff recruitment required. Central roles would be covered by operator head office overhead
- Condition survey investment was based on the Council's condition survey reports with the costs in Year 1, Years 2-5 and Years 5-10 included. It was assumed this investment would be necessary to maintain the fabric of the buildings and hence income levels
- An allowance was included for set-up costs to cover the process of reprocuring the leisure contract from start to finish, including pre-procurement document preparation. The costs covered leisure advisor input, legal input and office time.

*Option B: In-house Management*

3.91. The assumptions on which option A was based were as follows:

- Income was based on 2022-23 and inflated to Q2 2024 based on a rate of 4.6% (informed by CPI data)

- Following the HMRC VAT ruling that in-house leisure services can now treat sport and leisure income as non-business for the purposes of VAT, no adjustment was made to account for VAT payable on income compared to option A
- Following the above ruling, it was assumed that the Council would be able to recover all of its input VAT, hence no irrecoverable VAT was included in expenditure
- Expenditure was based on 2022-23 inflated to Q2 2024 on the same basis as income
- NNDR was based on assumption that an in-house operation would not be able to benefit from 80% mandatory relief and thus full NNDR costs would be payable
- No local authority central recharges were included
- No operator profit margin was included
- Additional staffing costs were included based on roles that would typically not transfer back to Council. These included marketing, PR and communications, sales and membership, customer experience team, learning and development, directorate support, regional senior leadership support and community, sport and health team roles. It was assumed that other roles, such as finance, HR and assets support would be covered by the local authority recharges above
- Condition survey investment was based on the Council's condition survey reports with the costs in Year 1, Years 2-5 and Years 5-10 included. It was assumed this investment would be necessary to maintain the fabric of the buildings and hence income levels
- Allowance for the additional pension liability of transferring staff becoming eligible for LGPS was included. This was based on the assumption that 50% of the staff were currently on the GLL scheme and would transfer to the LGPS and an employer contribution rate of 19.5% (compared to 5% for the other options). This rate was the Cardiff & Vale Employer Contribution Rate for 2022-23.
- Set-up costs were included to cover the expenditure associated with bringing the service back in house, including additional investment required (e.g. IT). This was based on comparative data from Southwark, who brought their service back in house in 2022-23.

*Option C: Establishing a local authority trading company (Teckal)*

3.92. The assumptions on which option C was based were as follows:

- Income was based on 2022-23 and inflated to Q2 2024 based on a rate of 4.6% (informed by CPI data)
- It was assumed that the new company would be established as a charitable body and continue to benefit from the VAT exemption on income as per option A
- Expenditure was based on 2022-23 inflated to Q2 2024 on the same basis as income
- NNDR was based on the figures for each of the facilities provided by the www.gov.uk website and the assumption that operator would benefit from 80% mandatory relief
- Operator head office overhead was based on 2.5% of income
- Operator profit margin was based on TSC's benchmark data (4.6% of income)

- Additional staffing costs were included based on roles that typically would not transfer back to Council. These included marketing, PR and communications, sales and membership, customer experience team, learning and development, directorate support, regional senior leadership support and community, sport and health team roles. It was assumed that other roles, such as finance, HR and assets support would be covered by the local authority recharges above
- Condition survey investment was based on the Council's condition survey reports with the costs in Year 1, Years 2-5 and Years 5-10 included. It was assumed this investment would be necessary to maintain the fabric of the buildings and hence income levels
- Set-up costs were included to cover expenditure associated with setting up the new company and additional investment required (e.g. IT). It was based on set-up cost budget from South Kesteven, who in 2021 set up LeisureSK to manage their leisure portfolio.

*Option D: Establishing a new Leisure Trust*

3.93. The assumptions on which option D was based were as follows:

- Income was based on 2022-23 and inflated to Q2 2024 based on a rate of 4.6% (informed by CPI data)
- It was assumed that the new company would be established as a charitable body and continue to benefit from the VAT exemption on income as per option A
- Expenditure was based on 2022-23 inflated to Q2 2024 on the same basis as income
- NNDR was based on the figures for each of the facilities provided by the www.gov.uk website and the assumption that operator would benefit from 80% mandatory relief
- Operator head office overhead was based on 2.5% of income
- Operator profit margin was based on TSC's benchmark data (4.6% of income)
- Additional staffing costs were included based on roles that typically would not transfer back to Council. These included marketing, PR and communications, sales and membership, customer experience team, learning and development, directorate support, regional senior leadership support and community, sport and health team roles. It was assumed that other roles, such as finance, HR and assets support would be covered by the local authority recharges above
- Condition survey investment was based on the Council's condition survey reports with the costs in Year 1, Years 2-5 and Years 5-10 included. It was assumed this investment would be necessary to maintain the fabric of the buildings and hence income levels
- Set-up costs were included to cover expenditure associated with setting up the new company and additional investment required (e.g. IT). It was based on set-up cost budget from South Kesteven, who in 2021 set up LeisureSK to manage their leisure portfolio.

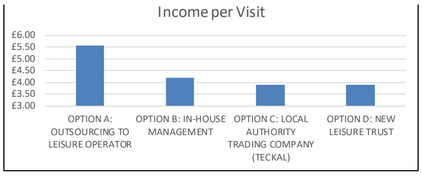
*Income Generating Potential of the Options*

3.94. A final area considered in the financial analysis was the potential differential in the income-generating capacity of the four options. It is widely understood that an outsourced operating typically is capable of generating higher income levels than in-house management with a local authority trading company and standalone leisure trust sitting between the two. The reasoning for this is that a leisure operator is a specialist in the field and able to draw on experience and expertise from across its contract portfolio and corporate structure (whereas the others are single entities focuses solely on the local authority in question) as well as the wider corporate support and resources in key areas such as marketing, IT investment, customer insight, etc. In addition, operating outside of the management and decision-making structure of the local authority enables it to be more responsive to change. Clearly, the extent of any benefit is also dependent on the quality of the contract in place and the strength of the relationship with the client. The gap between the two should close somewhat in the coming years given the recent HMRC ruling on VAT treatment for in-house leisure services.

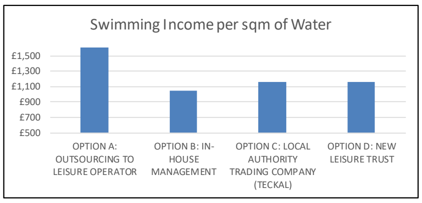
3.95. In order to provide an evidence base to a modelling assumption for this, and analysis was undertaken based on TSC's *Facilities Index* benchmark data. This focused on total income per visit across the various management options as well as the key income lines that contribute to this (i.e. health and fitness and swimming). A summary of the benchmark data and the number of records each benchmark is based on is presented in Table . It should be noted that, as the in-house data is historic, an adjustment was made to it to uplift it to account for VAT to ensure a like-for-like comparison of the options.

**Table 17: *Facilities Index* Benchmarking Summary of Income Generation**

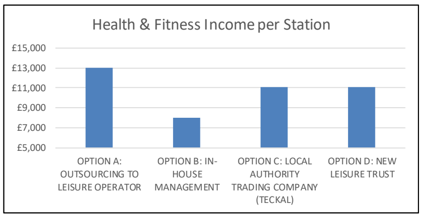
| OVERALL INCOME | Income per Visit (TSC Median Benchmark) | VAT adjustment for in-house | Adjusted Income per Visit | % uplift compared to In-house |
|---|---|---|---|---|
| OPTION A: OUTSOURCING TO LEISURE OPERATOR | £5.56 | | £5.56 | 33.1% |
| | 226 records | | | |
| OPTION B: IN-HOUSE MANAGEMENT | £3.54 | £0.64 | £4.18 | 0.0% |
| | 320 records | | | |
| OPTION C: LOCAL AUTHORITY TRADING COMPANY (TECKAL) | £3.90 | | £3.90 | -6.6% |
| | 66 records | | | |
| OPTION D: NEW LEISURE TRUST | £3.90 | | £3.90 | -6.6% |



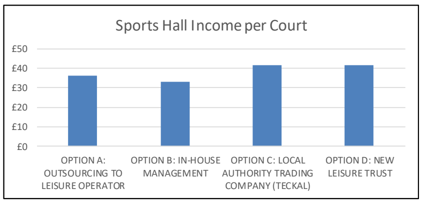

| SWIMMING INCOME | Swimming Income per sqm of water (TSC Median Benchmark) | VAT adjustment for in-house | Adjusted swimming Income per sqm of water | % uplift compared to In-house |
|---|---|---|---|---|
| OPTION A: OUTSOURCING TO LEISURE OPERATOR | £1,642 | | £1,642 | 56.6% |
| | 383 records | | | |
| OPTION B: IN-HOUSE MANAGEMENT | £889 | £160 | £1,049 | 0.0% |
| | 242 records | | | |
| OPTION C: LOCAL AUTHORITY TRADING COMPANY (TECKAL) | £1,166 | | £1,166 | 11.2% |
| | 71 records | | | |
| OPTION D: NEW LEISURE TRUST | £1,166 | | £1,166 | 11.2% |




| HEALTH & FITNESS INCOME | Health and fitness income per station (TSC Median Benchmark) | VAT adjustment for in-house | Adjusted health and fitness income per station | % uplift compared to In-house |
|---|---|---|---|---|
| OPTION A: OUTSOURCING TO LEISURE OPERATOR | £12,974 | | £12,974 | 63.0% |
| | 445 records | | | |
| OPTION B: IN-HOUSE MANAGEMENT | £6,745 | £1,214 | £7,959 | 0.0% |
| | 206 records | | | |
| OPTION C: LOCAL AUTHORITY TRADING COMPANY (TECKAL) | £11,068 | | £11,068 | 39.1% |
| | 78 records | | | |
| OPTION D: NEW LEISURE TRUST | £11,068 | | £11,068 | 39.1% |




| HEALTH & FITNESS YIELD PER MONTH | Sports hall income per court (TSC Median Benchmark) | VAT adjustment for in-house | Adjusted sports hall income per court | % uplift compared to In-house |
|---|---|---|---|---|
| OPTION A: OUTSOURCING TO LEISURE OPERATOR | £36.15 | | £36 | 8.7% |
| | 218 records | | | |
| OPTION B: IN-HOUSE MANAGEMENT | £28.18 | £5 | £33 | 0.0% |
| | 37 records | | | |
| OPTION C: LOCAL AUTHORITY TRADING COMPANY (TECKAL) | £41.58 | | £42 | 25.1% |
| | 21 records | | | |
| OPTION D: NEW LEISURE TRUST | £41.58 | | £42 | 25.1% |




3.96. What the analysis shows is that consistently across the metrics considered, the outsourced option showed stronger income that the other options. On this basis, the following assumptions were applied to the income projections in the model:

- Option A (Outsourcing to a leisure operator): 2% increase in income in first two years, reducing to 1% in year 3 and nothing thereafter
- Option B (In-house management): 2% decrease in income in first two years, reducing to 1% in year 3 and nothing thereafter
- Option C: (Establishing a local authority trading company): no change to income
- Option D: Establishing a new leisure trust: no change to income.

*Financial Analysis Summary*

3.97. Based on the assumptions set out above, a summary of the financial analysis is presented in Table 18.

**Table 18: Financial Analysis Summary**

| SUMMARY | OPTION A: OUTSOURCING TO LEISURE OPERATOR | OPTION B: IN-HOUSE MANAGEMENT | OPTION C: LOCAL AUTHORITY TRADING COMPANY (TECKAL) | OPTION D: NEW LEISURE TRUST |
|---|---|---|---|---|
| Income: | £6,562,197 | £5,985,362 | £6,269,516 | £6,269,516 |
| Expenditure: | £6,997,004 | £7,097,241 | £6,997,004 | £6,997,004 |
| Head Office Costs: | £321,548 | £0 | £156,738 | £156,738 |
| Operator Profit Margin: | £301,861 | £0 | £288,398 | £288,398 |
| **NET POSITION:** | **(£1,058,216)** | **(£1,111,880)** | **(£1,172,624)** | **(£1,172,624)** |
| Additional Annual Costs: | | | | |
| Revenue | £0 | £557,668 | £360,640 | £360,640 |
| Capital | £130,225 | £130,225 | £130,225 | £130,225 |
| **NET POSITION (inc additional costs)** | **(£1,188,441)** | **(£1,799,772)** | **(£1,663,489)** | **(£1,663,489)** |
| **One-off costs:** | **(£150,000)** | **(£800,000)** | **(£450,000)** | **(£450,000)** |

3.98. Overall, the analysis shows that Option A (outsourcing) would deliver the most favourable financial position to the Council. Following this would be option C and D, which would be likely to deliver a similar financial position (as the models are very similar) and finally option B (in-house).

*Non-financial Analysis*

3.99. The non-financial appraisal complemented the financial analysis set out in the preceding section. It ensured that the overall evaluation of the options (section 6) was based on consideration of a broad range of issues, rather than focusing exclusively on the financial issues. The starting point for this part of the analysis was identifying the criteria to be used. Those used were the ones endorsed by Sport England in their *Leisure Management Options Guidance* document[9]. They are as follows:

1) Retention of strategic control
2) Retention of operational control
3) Protection of staff (roles & T&Cs)

[9] September 2017.

4) Operational risk transfer
5) Asset risk transfer
6) Potential for revenue savings
7) Access to capital funding
8) Access to external funding
9) Access to economies of scale
10) Lead-in time
11) Potential to generate capital receipt
12) Retention of publicly accessible facilities
13) Potential to deliver strategic outcomes
14) Potential for community & staff involvement
15) Potential to increase participation
16) Potential for enhancement to service
17) Protection from future budget cuts.

3.100. Of these criteria, number 6 (potential for revenue savings) was excluded as it had been addressed by the financial analysis.

3.101. To this, one further option was added which considered the specific situation of the Council and its readiness to be able to implement any of the options[10]. The material consideration here was twofold. Firstly, it took into account how complex each option is to implement and the extent to which the Council has the skills and expertise to do it. The second issue concerned, in particular, option B (in-house). Given the fact that the leisure service has been outsourced for seven years, the Council will no longer have all of the staffing and resourcing in-house to manage the service and, therefore, they do not have the structure and resources in place to manage it effectively. It was for this reason that an allowance for additional staffing was included in the financial appraisal.

3.102. In terms of scoring the options, this was based on the standard positions set out in the Sport England guidance with each one being reviewed to ensure it reflected the Council's situation. As an example, in the guidance, the in-house option scores well in terms of set up time and costs. This is because the document is based on the assumption that the service is currently in-house; however, that is not the case for Cardiff and set-up costs and time will be significantly higher.

3.103. A summary of the evaluation and the overall percentage score is shown in Table 19. Each criterion was scored on a scale of 1 for red, 2 for amber and 3 for green. These ratings were based on the Sport England guidance and adjusted for the specific Cardiff context.

[10] This criterion can be discussed further to establish the Council's view on their preparedness to take on any of the options.

**Table 19: Non-financial Analysis Summary**

| | | Option A | Option B | Option C | Option D |
|---|---|---|---|---|---|
| **No.** | **Key Feature** | **Outsourcing** | **In-house** | **LATC** | **New Leisure Trust** |
| 1 | Retention of strategic control | 🟡 | 🟢 | 🟡 | 🟡 |
| 2 | Retention of operational control | 🟡 | 🟢 | 🟡 | 🟡 |
| 3 | Protection of staff (roles & T&Cs) | 🟡 | 🟢 | 🟡 | 🟡 |
| 4 | Operational risk transfer | 🟢 | 🔴 | 🟡 | 🟡 |
| 5 | Asset risk transfer | 🟡 | 🔴 | 🟡 | 🟡 |
| 6 | Access to capital funding | 🟡 | 🟡 | 🟡 | 🔴 |
| 7 | Access to external funding | 🟢 | 🟡 | 🟡 | 🟢 |
| 8 | Access to economies of scale | 🟢 | 🔴 | 🟡 | 🟡 |
| 9 | Set-up costs and lead-in time | 🟡 | 🔴 | 🔴 | 🔴 |
| 10 | Potential to generate capital receipt | 🔴 | 🔴 | 🔴 | 🔴 |
| 11 | Retention of publicly accessible facilities | 🟢 | 🟢 | 🟢 | 🟢 |
| 12 | Potential to deliver strategic outcomes | 🟡 | 🟢 | 🟡 | 🟡 |
| 13 | Potential for community & staff involvement | 🟡 | 🟡 | 🟡 | 🟢 |
| 14 | Potential to increase participation | 🟢 | 🟡 | 🟢 | 🟢 |
| 15 | Potential for enhancement to service | 🟢 | 🟡 | 🟢 | 🟢 |
| 16 | Protection from future budget cuts | 🟡 | 🔴 | 🟡 | 🟡 |
| 17 | Council readiness for implementation | 🟡 | 🔴 | 🔴 | 🔴 |
| | **SCORE** | **76.5%** | **62.7%** | **66.7%** | **68.6%** |

3.104. Overall, option A (outsourced) scores most strongly across the 17 criteria. It scored particularly strongly against issues such as risk transfer, economies of scale and external funding and the potential to increase participation. Option B (in-house) had the lowest score. In contrast to option A, it offers little scope for risk transfer and would be complex to set up while leaving the service more vulnerable to future budget cuts (facilities that are managed in-house are less complex to close as there is not a third party contractual arrangement and compensation provisions to consider).

***Overall Evaluation of the Options***

3.105. This section brings together the financial and non-financial evaluation to provide an overall score of the options. It has been based on a 50:50[11] split between the financial and non-financial elements of the analysis. The financial analysis was scored with the most financially advantageous option receiving 100% of the score available and the others being rated proportionally based on their distance from that score.

3.106. A summary of the evaluation is in Table 20.

[11] This weighting split can be discussed further and adjusted if necessary.

**Table 20: Overall Evaluation Summary**

| | Option A | Option B | Option C | Option D |
|---|---|---|---|---|
| **Criterion** | **Outsourcing** | **In-house** | **LATC** | **New Leisure Trust** |
| Financial Evaluation | 100.0% | 64.0% | 70.4% | 70.4% |
| Non-financial Evaluation | 76.5% | 62.7% | 66.7% | 68.6% |
| **Overall Score** | **88.2%** | **63.4%** | **68.6%** | **69.5%** |
| **Rank** | **1** | **4** | **3** | **2** |

3.107. Option A (outsourcing) scores most strongly across the two areas. This reflects the fact that it was the most advantageous option in both the financial and non-financial elements of the evaluation. Conversely, option B (in-house) was the least advantageous with options C and D scoring very closely between them. As has been outlined earlier, these options are very similar, which is reflected in the closeness of the scoring.

3.108. Therefore, should the Council's existing contract with GLL fail, the most appropriate option for them to follow would be a retendering process to appoint a new external operator.

3.109. However, it should be stated that all the options would be feasible, but each has its own financial, operational and implementation consequences, which have been set out above. Option A represents the most appropriate one based on an objective consideration of the financial and non-financial implications and in relation to the Council's current position.

***Implementation Plan***

3.110. The section sets out the key transition tasks for the Council, based on the most advantageous option identified above, i.e. option A - outsourcing. The Implementation Plan covered the period from when approval to proceed was granted until contract commencement. The purpose was to present an overall view of the tasks and timescales for implementation of the preferred option should it be required in the event of failure of the existing contract.

3.111. The key tasks have been divided into the following categories:

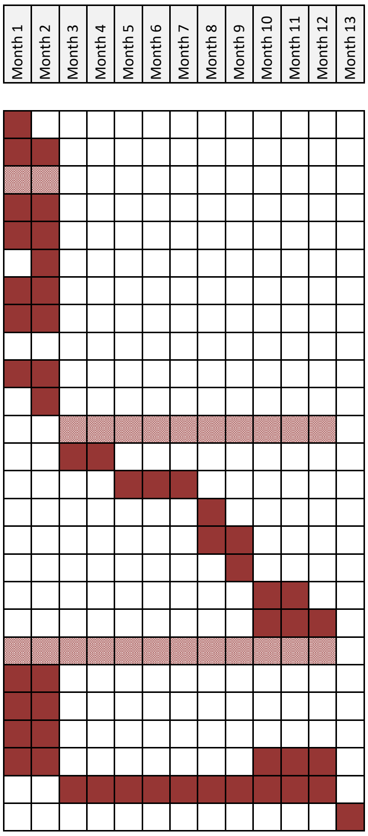
- Council decision-making
- Procurement preparation
- Procurement exercise
- Contract mobilisation.

3.112. For now, the timescales have assumed a Restricted procurement procedure would be followed with separate pre-qualification and tender stages. The time window allowed for the formal procurement process was 10 months. This would also be sufficient – albeit quite tight – for the Competitive Procurement with Negotiation route. Competitive Dialogue would require longer. The transition timetable was also predicated on the assumption that the Council would be seeking to retender the contract largely in its current form, hence the time to prepare the tender documentation is relatively short (two months).

3.113. The transition programme is summarised in Figure 11.

**Figure 11: Indicative Implementation Plan and Timescale**

| Ref | STAGE | CATEGORY |
|---|---|---|
| 1 | Council approval to proceed | Council decision making |
| 2 | Agree contract risk allocation | Procurement preparation |
| 3 | Development key contract documentation: | Procurement preparation |
| *3a* | ITT document | Procurement preparation |
| *3b* | Services Specification | Procurement preparation |
| *3c* | Payment and Performance Monitoring System | Procurement preparation |
| *3d* | Asset Management Responsibilities Matrix (-ces) | Procurement preparation |
| *3e* | Leisure Operating Contract | Procurement preparation |
| *3f* | Financial Response Template (LOBTA) | Procurement preparation |
| 4 | Data Room collation | Procurement preparation |
| 5 | Staffing (TUPE list) | Procurement preparation |
| 6 | Tender process: | Procurement exercise |
| *6a* | Pre-qualification and shortlisting | Procurement exercise |
| *6b* | Invitation to Tender | Procurement exercise |
| *6c* | Bid submission and evaluation | Procurement exercise |
| *6d* | Preferred bidder approval | Procurement exercise |
| *6e* | Standstill period | Procurement exercise |
| *6f* | Contract award and finalisation | Procurement exercise |
| 7 | Operator mobilisation | Contract mobilsation |
| 8 | Agree contract monitoring requirements | Contract monitoring |
| *8a* | Annual KPI performance reporting | Contract monitoring |
| *8b* | Monthly operational reporting | Contract monitoring |
| *8c* | Monthly asset management reporting | Contract monitoring |
| *8d* | Identify resource responsible for contract monitoring | Contract monitoring |
| *8e* | Set up contract monitoring reporting template | Contract monitoring |
| 9 | New contract commencement | Contract operational |




3.114. Should circumstances dictate that the contract needed to be retendered more quickly, there would be a few options for shortening the process:

- the Open procurement route could be used, which would combine the pre-qualification (selection questionnaire) and shortlisting stage
- the invitation to tender stage could be reduced from 12 weeks to 8-10 weeks, although given the size of the portfolio, there would be a risk that bidders felt it was not sufficient time to compile a credible submission and, hence, would choose not to bid
- the mobilisation period could be reduced from 12 weeks to around eight.

3.115. Also, assuming the situation were a contract failure, rather than a wider corporate failure of GLL, it should be possible to agree with them a termination date for the existing contract that fitted with a retendering programme.

# 4. Summary and Recommendations

***Part 1: Leisure Provision Review***

4.1. The review of leisure provision involved an audit of key facility types (swimming pools, sports hall and health & fitness) in the city and a corresponding estimate of demand. The objective of it was to provide insight into the level and distribution of provision and a high-level assessment as to the extent that supply was meeting demand.

4.2. The assessment was undertaken at a city level and based on four sub-areas (zones): City Centre, East, North and West.

4.3. The key findings were as follows:

- The quantity of swimming provision is on the whole satisfactory across the city. The exception to this is the East where the closure of Pentwyn means that there is an undersupply
- The quantity of sports hall provision is less adequate compared to demand, other than in the north zone. However, overall provision per 1,000 population is better than in the three other major conurbation in Wales
- The quantity of health and fitness provision in the city is more than adequate to meet demand; however, it is unevenly distributed with the majority of provision being in the City Centre zone. The city is also heavily dependent on the private sector provision for meeting demand
- There are opportunities for joint work with the Council's key partners, in particular Cardiff University in relation to their aspirations for a new site either at Maindy or close by
- Overall, Cardiff compares favourably across the three facility types with Swansea, Newport and Wrexham.

***Part 2: Management Options Appraisal***

4.4. The second part of the review concerned the Council's leisure management contract with GLL and a review of the alternative management options available to the Council. GLL originally took on the management of the Council's leisure facilities from the Council's in-house service in December 2016 on a 15-year term.

4.5. In the wake of the Covid-19 pandemic, financial performance of the contract has been below what was projected by GLL when they originally bid. Furthermore, in October 2022, the Council received a report from the Welsh Audit Office that highlighted the need for the Council to consider contingency options for the scenario that the existing contract failed. Therefore, this appraisal, which included a financial and non-financial appraisal of the management options, was commissioned by the Council.

4.6. The key findings were as follows:

*Existing Contract Review*

- the existing contract with GLL broadly includes the provisions of the latest template guidance (*Leisure Services Delivery* Guidance), so the Council should be assured that it is a robust document. The two areas where there is deviation from the standard is in the utilities benchmarking provisions (which are absent) and the structure of the asset management responsibilities matrix (which apportions asset risk between the Council and GLL).

*Management Options*

- Four management options were considered as being those that are appropriate for the Council's leisure portfolio. These were continuation of outsourcing (under a retendered contract), bringing the service back in-house, creating a local authority trading company (Teckal) and creating a new leisure trust
- Of these, outsourcing of the leisure contract is the most common in the UK (in particular in England and Wales), although there are local authorities actively considering bringing their services back in-house or establishing a local authority trading company. The creation of a new leisure trust is rare nowadays
- The recent VAT ruling that means that in-house leisure is now treated as non-business has improved the financial position of this option, although there remain a number of other areas where financially it is less strong compared to alternative options

*Current Contract Performance*

- The current (2022-23) financial performance of the Council's contract with GLL shows that there is a significant deficit (of around £1.2 million). It is reasonable to assume that this deficit is unsustainable for GLL in the longer-term, hence the need to consider alternative options
- Within this, income performance is generally lower than TSC's national benchmarks. Llanishen is the strongest performing centre financially followed by Eastern and Maindy. STAR and Western are the weakest performing. Llanishen was the only centre to deliver a financial surplus in 2022-23
- Membership and usage performance is much stronger compared to TSC's benchmarks, which – combined with income performance – indicates that Cardiff is a more price-sensitive market that others in the UK
- Expenditure performance is also much stronger compared to TSC's benchmarks other than staffing costs, which are above the median benchmark level at all centres

*Options Appraisal*

- The financial appraisal of the options involved a detailed analysis of the 2022-23 financial data and projections for what it would look like under each of the options based on a range of assumptions. From this, the most attractive option financially was the retendering of the contract to appoint a new operator (option A). This was followed by establishing a local authority trading company (option C) or establishing a new leisure trust (option D). Bringing the service back in-house (option B) was the least attractive financially. The difference between option A and B was estimated to be circa £600,000 per annum

- The non-financial appraisal of the options also identified outsourcing as the most appropriate route for the Council to follow, based on an appraisal across 17 criteria endorsed by Sport England
- Overall, continued outsourcing via the retendering of the existing contract (option A) was identified as being the most advantageous option due it being the most financially beneficial, the simplest and quickest to implement and offering the greatest level of risk transfer. Having a formal contractual arrangement in place would offer the greatest level of protection to the service from future budget constraints

*Implementation Plan*

- In terms of implementation, option A would take around 13 months from start to finish, so if the situation did arise, it would require careful negotiation with GLL around their exit. There would be options to shorten this process by around two months if necessary, although this would bring with it risks that operators may not feel it provided them with sufficient time to compile a credible submission, and hence they may choose not to bid.

## Appendix A: Facility Audit

**Swimming Pools**

| ID | Facility Name | Postcode | Council Facility | Operator | Pool Water Area (m2) | Closed Pool Water Area | Access Type | Closure Status | Zone |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Bannatyne Health Club and Spa | CF14 5DU | N | N/A | 200.00 | | Private Membership | | North |
| 2 | Centurion Leisure Suite | CF10 5NG | N | N/A | 135.00 | | Private Membership | | City Centre |
| 3 | David Lloyd Cardiff | CF23 9AQ | N | N/A | 500.00 | | Private Membership | | City Centre |
| 4 | Hilton Health Club | CF10 3FD | N | N/A | 120.00 | | Private Membership | | City Centre |
| 5 | Laguna Health and Spa | CF10 3AL | N | N/A | 120.00 | | Private Membership | | City Centre |
| 6 | Village Gym Cardiff | CF14 7EF | N | N/A | 250.00 | | Private Membership | | North |
| 7 | Spa Naturel Cardiff | CF24 0DD | N | N/A | 90.00 | | Private Membership | | City Centre |
| 8 | Eastern Leisure Centre | CF3 4DN | Y | GLL | 312.50 | | Public | | East |
| 9 | Cardiff International Pool and Gym | CF11 0JS | Y | Parkwood | 1,462.50 | | Public | | City Centre |
| 10 | Fairwater Leisure Centre | CF5 3LL | Y | GLL | 312.50 | | Public | | West |
| 11 | Llanishen Leisure Centre | CF14 5EB | Y | GLL | 700.00 | | Public | | North |
| 12 | Maindy Centre | CF14 3AJ | Y | GLL | 325.00 | | Public | | City Centre |
| 13 | Pentwyn Leisure Centre | CF23 7EZ | Y | GLL | | 660.00 | Public | Temporarily Closed | East |
| 14 | Star Hub | CF24 2SJ | Y | GLL | 275.00 | | Public | | City Centre |
| 15 | Western Leisure Centre | CF5 5HJ | Y | GLL | 452.50 | | Public | | West |
| 16 | Cardiff Met Swimming Pool | CF23 6XD | N | N/A | 225.00 | | Dual use | | North |
| 17 | CMC Sports & Social Club | CF14 4XW | N | N/A | 225.00 | | Public | | North |
| 18 | Howell's School Swimming Pool | CF5 2YD | N | N/A | 225.00 | | Dual use | | West |
| 19 | Splash Central | CF24 5HF | N | N/A | 105.00 | | Public | | City Centre |
| 20 | Novotel Hotel | CF10 4RT | N | N/A | 120.00 | | Private Membership | | City Centre |
| 21 | Fitzalan High School | CF11 8XB | N | N/A | 180.00 | | Public | | West |

**Sports Halls**

| ID | Facility Name | Postcode | Council Facility | Operator | Badminton Courts | Closed Badminton Courts | Ownership | Access Type | Access Type 2 | Closure Status | Zone |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Cardiff Met Sports Hall | CF23 6XD | N | N/A | 12 | | Education | Public | Public | | North |
| 2 | Cardiff University Sports Training Facility | CF14 3UX | N | N/A | 12 | | Education | Public | Public | | City Centre |
| 3 | Cardiff West Community High School | CF5 5XP | N | N/A | 4 | | Education | Dual use | Dual use | | West |
| 4 | Eastern Community Campus | CF3 1XZ | N | N/A | 4 | | Education | Dual use | Dual use | | East |
| 5 | Sport Wales National Centre | CF11 9SW | N | N/A | 8 | | Other | Public | Public | | City Centre |
| 6 | Eastern Leisure Centre | CF3 4DN | Y | GLL | 3 | | Local Authority | Public | Public | | East |
| 7 | Canton Community Hall | CF11 8HG | Y | In-house | 3 | | Local Authority | Public | Public | | City Centre |
| 8 | Fairwater Leisure Centre | CF5 3LL | Y | GLL | 4 | | Local Authority | Public | Public | | West |
| 9 | Llanishen Leisure Centre | CF14 5EB | Y | GLL | 6 | | Local Authority | Public | Public | | North |
| 10 | Pentwyn Leisure Centre | CF23 7EZ | Y | GLL | | 4 | Local Authority | | Public | Temporarily Closed | East |
| 11 | Penylan Library And Community Centre | CF23 5HW | Y | GLL | 1 | | Local Authority | Public | Public | | City Centre |
| 12 | Western Leisure Centre | CF5 5HJ | Y | GLL | 4 | | Local Authority | Public | Public | | West |
| 13 | CMC Sports & Social Club | CF14 4XW | N | N/A | 3 | | Other | Public | Public | | North |
| 14 | Ysgol Gyfun Gymaraeg Plasmawr | CF5 3PZ | N | N/A | 1 | | Education | Dual use | Dual use | | West |
| 15 | David Lloyd Cardiff | CF23 9AQ | N | N/A | 4 | | Commercial | Private | Private Membership | | City Centre |
| 16 | Bishop of Llandaff School | CF5 2NR | N | N/A | 4 | | Education | Private | No public access | | West |
| 17 | Cardiff High School | CF23 6WG | N | N/A | 4 | | Education | Dual use | Dual use | | North |
| 18 | Fitzalan High School | CF11 8XB | N | N/A | 3 | | Education | Private | No public access | | West |
| 19 | Cathays High School | CF14 3xg | N | N/A | 4 | | Education | Private | No public access | | City Centre |
| 20 | Cantonian High School | CF5 3JR | N | N/A | 1 | | Education | Private | No public access | | West |
| 21 | Llanishan High School | CF14 5YL | N | N/A | 1 | | Education | Dual Use | Dual Use | | North |
| 22 | Whitchurch High School | CF14 2XJ | N | N/A | 6 | | Education | Private | No public access | | North |
| 23 | St. John's College | CF3 5YX | N | N/A | 4 | | Education | Private | No public access | | East |
| 24 | YMCA Plas | CF24 3ES | N | N/A | 3 | | Other | Public | Public | | City Centre |

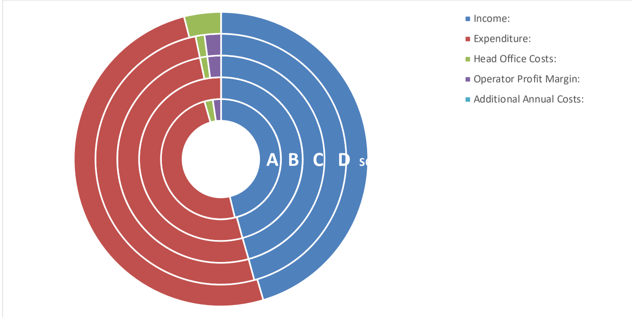
**Health & Fitness Facilities**

| ID | Facility Name | Postcode | Council Facility | Operator | Stations | Access Type | Zone |
|---|---|---|---|---|---|---|---|
| 1 | Aspire Fitness | CF11 8DG | N | N/A | *50* | Private | West |
| 2 | Colosseum Gym Cardiff | CF15 8LA | N | N/A | *25* | Public | West |
| 3 | Crossfit Cardiff | CF23 9AP | N | N/A | *25* | Public | City Centre |
| 4 | Daves Gym | CF24 3EX | N | N/A | *50* | Private | City Centre |
| 5 | Elympia Fitness | CF5 5BY | N | N/A | *50* | Private | West |
| 6 | Energie Fitness Cardiff St Mellons | CF3 5EA | N | N/A | *100* | Private | East |
| 7 | Everlast Gyms Cardiff Leckwith | CF11 8EG | N | N/A | *100* | Private | West |
| 8 | Evolve Fitness | CF24 2RZ | N | N/A | *25* | Private | City Centre |
| 9 | FitHub30 | CF24 5EB | N | N/A | *25* | Private | City Centre |
| 10 | JD Gyms Cardiff City Centre | CF10 2BH | N | N/A | *125* | Private | City Centre |
| 11 | JD Gyms Cardiff Llanishen | CF14 5DU | N | N/A | *100* | Private | North |
| 12 | Maindy Centre | CF14 3AJ | Y | GLL | 70 | Private | City Centre |
| 13 | OGN CrossFit | CF23 9AQ | N | N/A | *25* | Private | City Centre |
| 14 | PBPerformance Gym | CF24 5HB | N | N/A | *50* | Private | City Centre |
| 15 | Peak Physique Gym | CF23 9AF | N | N/A | *25* | Private | City Centre |
| 16 | Puregym Cardiff Bay | CF11 0JR | N | N/A | *100* | Private | City Centre |
| 17 | PureGym Cardiff Central | CF10 1LA | N | N/A | *100* | Private | City Centre |
| 18 | PureGym Cardiff Gate | CF23 8NL | N | N/A | *100* | Private | East |
| 19 | PureGym Cardiff Western Avenue | CF14 3AT | N | N/A | *100* | Private | City Centre |
| 20 | Riverside Cardiff Leisure Club | CF24 5HQ | N | N/A | *50* | Private | City Centre |
| 21 | Simply Gym Cardiff Bay | CF10 4JY | N | N/A | *25* | Private | City Centre |
| 22 | The Compound Gym | CF11 8DH | N | N/A | *25* | Public | West |
| 23 | The Gym Group Cardiff City Centre | CF10 2HQ | N | N/A | *100* | Private | City Centre |
| 24 | The Gym Group Cardiff Newport Road | CF23 9AE | N | N/A | *100* | Private | City Centre |
| 25 | The Studio | CF24 5EL | N | N/A | *25* | Private | City Centre |
| 26 | UFIT Fitness | CF24 5EN | N | N/A | 125 | Public | City Centre |
| 27 | Cardiff International Sports Campus | CF11 8AZ | N | N/A | 50 | Public | West |
| 28 | Cardiff University | CF10 3AT | N | N/A | 100 | Public | City Centre |
| 29 | MetActive Cyncoed | CF23 6XD | N | N/A | 70 | Public | North |
| 30 | MetActive Llandaff | CF5 2YB | N | N/A | 60 | Public | West |
| 31 | Sport Wales National Centre | CF11 9SW | N | N/A | 100 | Public | City Centre |
| 32 | Centurion Leisure Suite | CF10 5NG | N | N/A | *25* | Private | City Centre |
| 33 | Hilton Health Club | CF10 3FD | N | N/A | *25* | Private | City Centre |
| 34 | Laguna Health and Spa | CF10 3AL | N | N/A | *25* | Private | City Centre |
| 35 | Village Gym Cardiff | CF14 7EF | N | N/A | *50* | Private | North |
| 36 | Eastern Leisure Centre | CF3 4DN | Y | GLL | 90 | Public | East |
| 37 | Cardiff International Pool and Gym | CF11 0JS | Y | Parkwood | 70 | Public | City Centre |
| 38 | Channel View Centre | CF11 7HB | Y | In-house | 85 | Public | City Centre |
| 39 | Fairwater Leisure Centre | CF5 3LL | Y | GLL | 40 | Public | West |
| 40 | Llanishen Leisure Centre | CF14 5EB | Y | GLL | 68 | Public | North |
| 41 | Pentwyn Leisure Centre | CF23 7EZ | Y | GLL | 30 | Public | East |
| 42 | Penylan Library And Community Centre | CF23 5HW | Y | GLL | 17 | Public | City Centre |
| 43 | Star Hub | CF24 2SJ | Y | GLL | 50 | Public | City Centre |
| 44 | Western Leisure Centre | CF5 5HJ | Y | GLL | 40 | Public | West |
| 45 | CMC Sports & Social Club | CF14 4XW | | N/A | *50* | Public | North |

## Appendix B: Financial Analysis Model

**Cardiff City Council Leisure Management Contract**
Management Options Appraisal Financial Analysis

| SUMMARY | Status Quo | OPTION A: OUTSOURCING TO LEISURE OPERATOR | OPTION B: IN-HOUSE MANAGEMENT | OPTION C: LOCAL AUTHORITY TRADING COMPANY (TECKAL) | OPTION D: NEW LEISURE TRUST |
|---|---|---|---|---|---|
| Income: | £6,269,516 | £6,562,197 | £5,985,362 | £6,269,516 | £6,269,516 |
| Expenditure: | £6,997,004 | £6,997,004 | £7,097,241 | £6,997,004 | £6,997,004 |
| Head Office Costs: | £560,771 | £321,548 | £0 | £156,738 | £156,738 |
| Operator Profit Margin: | £0 | £301,861 | £0 | £288,398 | £288,398 |
| **NET POSITION:** | (£1,288,259) | (£1,058,216) | (£1,111,880) | (£1,172,624) | (£1,172,624) |
| Additional Annual Costs: | | | | | |
| Revenue | £0 | £0 | £557,668 | £360,640 | £360,640 |
| Capital | £130,225 | £130,225 | £130,225 | £130,225 | £130,225 |
| **NET POSITION (inc additional costs)** | (£1,418,484) | (£1,188,441) | (£1,799,772) | (£1,663,489) | (£1,663,489) |
| **One-off costs:** | **£0** | **(£150,000)** | **(£800,000)** | **(£450,000)** | **(£450,000)** |
| | | | -8.8% | -4.5% | -4.5% |




**OPTION A: OUTSOURCING TO LEISURE OPERATOR**

| | | Eastern Leisure Centre | Fairwater Leisure Centre | Llanishen Leisure Centre | Maindy Centre | Pentwyn Leisure Centre | Penylan Library & Community Centre | STAR Community Hub | Western Leisure Centre | CONTRACT TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| Health & Fitness Memberships | | £392,479 | £367,440 | £501,743 | £599,582 | £223 | £102,152 | £168,034 | £320,915 | **£2,452,568** |
| Health & Fitness Other | | £92,257 | £75,889 | £188,099 | £64,651 | £0 | £15,188 | £30,017 | £87,143 | **£553,244** |
| Swimming | | £540,158 | £348,165 | £831,276 | £442,590 | £63,308 | £36,303 | £242,808 | £359,795 | **£2,864,402** |
| Dryside | | £24,474 | £13,295 | £72,259 | £1,289 | (£2,593) | £3,348 | £733 | £10,984 | **£123,789** |
| Outdoor | | £92 | £0 | £28 | £0 | £0 | £0 | £0 | £69 | **£190** |
| F&B | | (£318) | (£192) | £1,433 | (£197) | (£367) | (£71) | (£131) | £250 | **£407** |
| Vending | | £759 | £192 | £0 | £9 | £18 | £576 | £27 | £1,652 | **£3,234** |
| Retail | | £5,888 | £3,422 | £15,095 | £8,036 | £0 | £0 | £5,615 | £7,346 | **£45,402** |
| Other | | £107,251 | £29,567 | £80,463 | £52,839 | £49,778 | £19,577 | £45,327 | £134,160 | **£518,962** |
| **TOTAL INCOME** | | **£1,163,040** | **£837,778** | **£1,690,395** | **£1,168,799** | **£110,367** | **£177,073** | **£492,431** | **£922,314** | **£6,562,197** |
| Staffing | | £591,387 | £540,956 | £802,615 | £694,172 | £140,109 | £120,426 | £404,062 | £692,695 | **£3,986,423** |
| Utilities | | £209,784 | £170,014 | £267,202 | £257,382 | (£10,857) | (£6,926) | £144,967 | £273,728 | **£1,305,295** |
| Utilities Benchmarking | | (£19,717) | (£19,491) | (£31,012) | (£84,441) | (£5,140) | £254 | (£9,229) | (£35,614) | **(£204,390)** |
| R&M | | £172,223 | £135,047 | £194,605 | £131,567 | £27,051 | £27,105 | £69,519 | £93,851 | **£850,967** |
| Equipment | | £7,910 | £3,043 | £18,304 | £5,464 | £1,472 | £8,923 | £4,317 | £9,409 | **£58,842** |
| NNDR | | £20,907 | £9,404 | £18,975 | £18,984 | £17,128 | £3,170 | £9,673 | £21,200 | **£119,441** |
| Marketing | | £21,122 | £7,582 | £33,496 | £20,052 | £2,473 | £1,945 | £5,412 | £14,492 | **£106,575** |
| Administration | | £22,369 | £16,859 | £30,703 | £30,410 | £6,153 | £4,199 | £15,070 | £23,117 | **£148,881** |
| IT Costs | | £25,971 | £22,905 | £32,835 | £28,994 | £15,495 | £10,456 | £16,632 | £24,644 | **£177,932** |
| Licences | | £4,842 | £10,212 | £4,683 | £2,564 | £1,418 | £3,077 | £3,248 | £5,474 | **£35,517** |
| Irrecoverable VAT | | £62,796 | £50,173 | £87,721 | £72,182 | £3,570 | £9,615 | £50,276 | £75,188 | **£411,521** |
| F&B Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Vending Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Depreciation | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| **TOTAL EXPENDITURE** | | **£1,119,594** | **£946,705** | **£1,460,129** | **£1,177,331** | **£198,872** | **£182,243** | **£713,946** | **£1,198,184** | **£6,997,004** |
| Head Office Costs | 5% *of income* | £56,989 | £41,051 | £82,829 | £57,271 | £5,408 | £8,677 | £24,129 | £45,193 | **£321,548** |
| Operator Profit Margin | 5% *of income* | £53,500 | £38,538 | £77,758 | £53,765 | £5,077 | £8,145 | £22,652 | £42,426 | **£301,861** |
| **NET POSITION** | | **(£67,043)** | **(£188,516)** | **£69,678** | **(£119,568)** | **(£98,990)** | **(£21,991)** | **(£268,296)** | **(£363,490)** | **(£1,058,216)** |
| *Additional Annual Costs:* | | | | | | | | | | |
| ***Revenue*** | | | | | | | | | | |
| LGPS pension liability | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Additional staff recruitment | | | | | | | | | | **£0** |
| ***Capital*** | | | | | | | | | | |
| Condition survey investment | | £0 | £21,315 | £56,500 | £16,450 | £27,410 | £2,650 | £0 | £5,900 | **£130,225** |
| **NET POSITION (inc additional costs)** | | **(£67,043)** | **(£209,831)** | **£13,178** | **(£136,018)** | **(£126,400)** | **(£24,641)** | **(£268,296)** | **(£369,390)** | **(£1,188,441)** |
| *Additional One-Off Costs:* | | | | | | | | | | |
| Set-up costs | | | | | | | | | | **£150,000** |

**OPTION B: IN-HOUSE MANAGEMENT**

| | | Eastern Leisure Centre | Fairwater Leisure Centre | Llanishen Leisure Centre | Maindy Centre | Pentwyn Leisure Centre | Penylan Library & Community Centre | STAR Community Hub | Western Leisure Centre | CONTRACT TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| Health & Fitness Memberships | | £357,979 | £335,141 | £457,638 | £546,877 | £203 | £93,173 | £153,263 | £292,706 | **£2,236,980** |
| Health & Fitness Other | | £84,147 | £69,218 | £171,565 | £58,968 | £0 | £13,853 | £27,379 | £79,483 | **£504,612** |
| | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | |
| Swimming | | £492,676 | £317,560 | £758,204 | £403,685 | £57,743 | £33,112 | £221,465 | £328,168 | **£2,612,613** |
| Dryside | | £22,323 | £12,126 | £65,907 | £1,175 | (£2,365) | £3,054 | £669 | £10,018 | **£112,907** |
| Outdoor | | £84 | £0 | £26 | £0 | £0 | £0 | £0 | £63 | **£173** |
| F&B | | (£290) | (£175) | £1,307 | (£180) | (£335) | (£65) | (£120) | £228 | **£371** |
| Vending | | £692 | £175 | £0 | £8 | £16 | £526 | £25 | £1,507 | **£2,949** |
| Retail | | £5,370 | £3,121 | £13,768 | £7,330 | £0 | £0 | £5,122 | £6,700 | **£41,411** |
| Other | | £97,824 | £26,968 | £73,390 | £48,194 | £45,403 | £17,856 | £41,343 | £122,367 | **£473,344** |
| **TOTAL INCOME** | | **£1,060,805** | **£764,135** | **£1,541,805** | **£1,066,058** | **£100,666** | **£161,508** | **£449,145** | **£841,240** | **£5,985,362** |
| | | *91.2%* | *91.2%* | *91.2%* | *91.2%* | *91.2%* | *91.2%* | *91.2%* | *91.2%* | *91.2%* |
| Staffing | | £591,387 | £540,956 | £802,615 | £694,172 | £140,109 | £120,426 | £404,062 | £692,695 | **£3,986,423** |
| Utilities | | £209,784 | £170,014 | £267,202 | £257,382 | (£10,857) | (£6,926) | £144,967 | £273,728 | **£1,305,295** |
| Utilities Benchmarking | | (£19,717) | (£19,491) | (£31,012) | (£84,441) | (£5,140) | £254 | (£9,229) | (£35,614) | **(£204,390)** |
| R&M | | £172,223 | £135,047 | £194,605 | £131,567 | £27,051 | £27,105 | £69,519 | £93,851 | **£850,967** |
| Equipment | | £7,910 | £3,043 | £18,304 | £5,464 | £1,472 | £8,923 | £4,317 | £9,409 | **£58,842** |
| NNDR | | £142,080 | £65,024 | £18,975 | £99,840 | £108,032 | £15,488 | £59,392 | £122,368 | **£631,199** |
| Marketing | | £21,122 | £7,582 | £33,496 | £20,052 | £2,473 | £1,945 | £5,412 | £14,492 | **£106,575** |
| Administration | | £22,369 | £16,859 | £30,703 | £30,410 | £6,153 | £4,199 | £15,070 | £23,117 | **£148,881** |
| IT Costs | | £25,971 | £22,905 | £32,835 | £28,994 | £15,495 | £10,456 | £16,632 | £24,644 | **£177,932** |
| Licences | | £4,842 | £10,212 | £4,683 | £2,564 | £1,418 | £3,077 | £3,248 | £5,474 | **£35,517** |
| Irrecoverable VAT | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| F&B Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Vending Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Depreciation | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| **TOTAL EXPENDITURE** | | **£1,177,972** | **£952,151** | **£1,372,408** | **£1,186,005** | **£286,206** | **£184,947** | **£713,390** | **£1,224,163** | **£7,097,241** |
| Head Office Costs | 0% *of income* | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Operator Profit Margin | 0% *of income* | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| **NET POSITION** | | **(£117,166)** | **(£188,017)** | **£169,397** | **(£119,946)** | **(£185,540)** | **(£23,439)** | **(£264,245)** | **(£382,923)** | **(£1,111,880)** |
| *Additional Costs:* | | | | | | | | | | |
| ***Revenue*** | | | | | | | | | | |
| LGPS pension liability | | £21,440 | £20,439 | £31,751 | £27,684 | £6,790 | £5,225 | £16,068 | £27,031 | **£156,428** |
| Additional staff recruitment | | | | | | | | | | **£401,240** |
| ***Capital*** | | | | | | | | | | |
| Condition survey investment | | £0 | £21,315 | £56,500 | £16,450 | £27,410 | £2,650 | £0 | £5,900 | **£130,225** |
| **NET POSITION (inc additional costs)** | | **(£138,606)** | **(£229,771)** | **£81,146** | **(£164,080)** | **(£219,740)** | **(£31,313)** | **(£280,313)** | **(£415,854)** | **(£1,799,772)** |
| *Additional Costs:* | | | | | | | | | | |
| Set-up costs | | | | | | | | | | **£800,000** |

**OPTION C: LOCAL AUTHORITY TRADING COMPANY (TECKAL)**

| | | Eastern Leisure Centre | Fairwater Leisure Centre | Llanishen Leisure Centre | Maindy Centre | Pentwyn Leisure Centre | Penylan Library & Community Centre | STAR Community Hub | Western Leisure Centre | CONTRACT TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| Health & Fitness Memberships | | £374,974 | £351,051 | £479,365 | £572,840 | £213 | £97,596 | £160,539 | £306,602 | **£2,343,181** |
| Health & Fitness Other | | £88,142 | £72,504 | £179,710 | £61,768 | £0 | £14,510 | £28,679 | £83,256 | **£528,569** |
| Swimming | | £516,066 | £332,637 | £794,200 | £422,850 | £60,484 | £34,684 | £231,979 | £343,748 | **£2,736,647** |
| Dryside | | £23,383 | £12,702 | £69,036 | £1,231 | (£2,478) | £3,199 | £701 | £10,494 | **£118,267** |
| Outdoor | | £88 | £0 | £27 | £0 | £0 | £0 | £0 | £66 | **£181** |
| F&B | | (£303) | (£183) | £1,369 | (£188) | (£350) | (£68) | (£126) | £239 | **£389** |
| Vending | | £725 | £183 | £0 | £9 | £17 | £551 | £26 | £1,578 | **£3,089** |
| Retail | | £5,625 | £3,270 | £14,421 | £7,678 | £0 | £0 | £5,365 | £7,018 | **£43,377** |
| Other | | £102,468 | £28,248 | £76,874 | £50,482 | £47,558 | £18,704 | £43,305 | £128,176 | **£495,816** |
| **TOTAL INCOME** | | **£1,111,167** | **£800,412** | **£1,615,002** | **£1,116,669** | **£105,445** | **£169,176** | **£470,468** | **£881,178** | **£6,269,516** |
| Staffing | | £591,387 | £540,956 | £802,615 | £694,172 | £140,109 | £120,426 | £404,062 | £692,695 | **£3,986,423** |
| Utilities | | £209,784 | £170,014 | £267,202 | £257,382 | £144,967 | £273,728 | | | |
| Utilities | | £209,784 | £170,014 | £267,202 | £257,382 | (£10,857) | (£6,926) | £144,967 | £273,728 | **£1,305,295** |
| Utilities Benchmarking | | (£19,717) | (£19,491) | (£31,012) | (£84,441) | (£5,140) | £254 | (£9,229) | (£35,614) | **(£204,390)** |
| R&M | | £172,223 | £135,047 | £194,605 | £131,567 | £27,051 | £27,105 | £69,519 | £93,851 | **£850,967** |
| Equipment | | £7,910 | £3,043 | £18,304 | £5,464 | £1,472 | £8,923 | £4,317 | £9,409 | **£58,842** |
| NNDR | | £20,907 | £9,404 | £18,975 | £18,984 | £17,128 | £3,170 | £9,673 | £21,200 | **£119,441** |
| Marketing | | £21,122 | £7,582 | £33,496 | £20,052 | £2,473 | £1,945 | £5,412 | £14,492 | **£106,575** |
| Administration | | £22,369 | £16,859 | £30,703 | £30,410 | £6,153 | £4,199 | £15,070 | £23,117 | **£148,881** |
| IT Costs | | £25,971 | £22,905 | £32,835 | £28,994 | £15,495 | £10,456 | £16,632 | £24,644 | **£177,932** |
| Licences | | £4,842 | £10,212 | £4,683 | £2,564 | £1,418 | £3,077 | £3,248 | £5,474 | **£35,517** |
| Irrecoverable VAT | | £62,796 | £50,173 | £87,721 | £72,182 | £3,570 | £9,615 | £50,276 | £75,188 | **£411,521** |
| F&B Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Vending Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Depreciation | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| **TOTAL EXPENDITURE** | | **£1,119,594** | **£946,705** | **£1,460,129** | **£1,177,331** | **£198,872** | **£182,243** | **£713,946** | **£1,198,184** | **£6,997,004** |
| Head Office Costs | 3% *of income* | £27,779 | £20,010 | £40,375 | £27,917 | £2,636 | £4,229 | £11,762 | £22,029 | **£156,738** |
| Operator Profit Margin | 5% *of income* | £51,114 | £36,819 | £74,290 | £51,367 | £4,850 | £7,782 | £21,642 | £40,534 | **£288,398** |
| **NET POSITION** | | **(£87,320)** | **(£203,122)** | **£40,207** | **(£139,945)** | **(£100,914)** | **(£25,079)** | **(£276,881)** | **(£379,570)** | **(£1,172,624)** |
| *Additional Costs:* | | | | | | | | | | |
| ***Revenue*** | | | | | | | | | | |
| LGPS pension liability | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Additional staff recruitment | | | | | | | | | | **£360,640** |
| ***Capital*** | | | | | | | | | | |
| Condition survey investment | | £0 | £21,315 | £56,500 | £16,450 | £27,410 | £2,650 | £0 | £5,900 | **£130,225** |
| **NET POSITION (inc additional costs)** | | **(£87,320)** | **(£224,437)** | **(£16,293)** | **(£156,395)** | **(£128,324)** | **(£27,729)** | **(£276,881)** | **(£385,470)** | **(£1,663,489)** |
| *Additional Costs:* | | | | | | | | | | |
| Set-up costs | | | | | | | | | | **£450,000** |

**OPTION D: NEW LEISURE TRUST**

| | | Eastern Leisure Centre | Fairwater Leisure Centre | Llanishen Leisure Centre | Maindy Centre | Pentwyn Leisure Centre | Penylan Library & Community Centre | STAR Community Hub | Western Leisure Centre | CONTRACT TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| Health & Fitness Memberships | | £374,974 | £351,051 | £479,365 | £572,840 | £213 | £97,596 | £160,539 | £306,602 | **£2,343,181** |
| Health & Fitness Other | | £88,142 | £72,504 | £179,710 | £61,768 | £0 | £14,510 | £28,679 | £83,256 | **£528,569** |
| Swimming | | £516,066 | £332,637 | £794,200 | £422,850 | £60,484 | £34,684 | £231,979 | £343,748 | **£2,736,647** |
| Dryside | | £23,383 | £12,702 | £69,036 | £1,231 | (£2,478) | £3,199 | £701 | £10,494 | **£118,267** |
| Outdoor | | £88 | £0 | £27 | £0 | £0 | £0 | £0 | £66 | **£181** |
| F&B | | (£303) | (£183) | £1,369 | (£188) | (£350) | (£68) | (£126) | £239 | **£389** |
| Vending | | £725 | £183 | £0 | £9 | £17 | £551 | £26 | £1,578 | **£3,089** |
| Retail | | £5,625 | £3,270 | £14,421 | £7,678 | £0 | £0 | £5,365 | £7,018 | **£43,377** |
| Other | | £102,468 | £28,248 | £76,874 | £50,482 | £47,558 | £18,704 | £43,305 | £128,176 | **£495,816** |
| **TOTAL INCOME** | | **£1,111,167** | **£800,412** | **£1,615,002** | **£1,116,669** | **£105,445** | **£169,176** | **£470,468** | **£881,178** | **£6,269,516** |
| Staffing | | £591,387 | £540,956 | £802,615 | £694,172 | £140,109 | £120,426 | £404,062 | £692,695 | **£3,986,423** |
| Utilities | | £209,784 | £170,014 | £267,202 | £257,382 | (£10,857) | (£6,926) | £144,967 | £273,728 | **£1,305,295** |
| Utilities Benchmarking | | (£19,717) | (£19,491) | (£31,012) | (£84,441) | (£5,140) | £254 | (£9,229) | (£35,614) | **(£204,390)** |
| R&M | | £172,223 | £135,047 | £194,605 | £131,567 | £27,051 | £27,105 | £69,519 | £93,851 | **£850,967** |
| Equipment | | £7,910 | £3,043 | £18,304 | £5,464 | £1,472 | £8,923 | £4,317 | £9,409 | **£58,842** |
| NNDR | | £20,907 | £9,404 | £18,975 | £18,984 | £17,128 | £3,170 | £9,673 | £21,200 | **£119,441** |
| Marketing | | £21,122 | £7,582 | £33,496 | £20,052 | £2,473 | £1,945 | £5,412 | £14,492 | **£106,575** |
| Administration | | £22,369 | £16,859 | £30,703 | £30,410 | £6,153 | £4,199 | £15,070 | £23,117 | **£148,881** |
| IT Costs | | £25,971 | £22,905 | £32,835 | £28,994 | £15,495 | £10,456 | £16,632 | £24,644 | **£177,932** |
| Licences | | £4,842 | £10,212 | £4,683 | £2,564 | £1,418 | £3,077 | £3,248 | £5,474 | **£35,517** |
| Irrecoverable VAT | | £62,796 | £50,173 | £87,721 | £72,182 | £3,570 | £9,615 | £50,276 | £75,188 | **£411,521** |
| F&B Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Vending Cost of Sales | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Depreciation | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| **TOTAL EXPENDITURE** | | **£1,119,594** | **£946,705** | **£1,460,129** | **£1,177,331** | **£198,872** | **£182,243** | **£713,946** | **£1,198,184** | **£6,997,004** |
| Head Office Costs | 3% *of income* | £27,779 | £20,010 | £40,375 | £27,917 | £2,636 | £4,229 | £11,762 | £22,029 | **£156,738** |
| Operator Profit Margin | 5% *of income* | £51,114 | £36,819 | £74,290 | £51,367 | £4,850 | £7,782 | £21,642 | £40,534 | **£288,398** |
| **NET POSITION** | | **(£87,320)** | **(£203,122)** | **£40,207** | **(£139,945)** | **(£100,914)** | **(£25,079)** | **(£276,881)** | **(£379,570)** | **(£1,172,624)** |
| *Additional Costs:* | | | | | | | | | | |
| ***Revenue*** | | | | | | | | | | |
| LGPS pension liability | | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | **£0** |
| Additional staff recruitment | | | | | | | | | | **£360,640** |
| ***Capital*** | | | | | | | | | | |
| Condition survey investment | | £0 | £21,315 | £56,500 | £16,450 | £27,410 | £2,650 | £0 | £5,900 | **£130,225** |
| **NET POSITION (inc additional costs)** | | **(£87,320)** | **(£224,437)** | **(£16,293)** | **(£156,395)** | **(£128,324)** | **(£27,729)** | **(£276,881)** | **(£385,470)** | **(£1,663,489)** |
| *Additional Costs:* | | | | | | | | | | |
| Set-up costs | | | | | | | | | | **£450,000** |