

## Report of the Cabinet Member for Regeneration

Council – 14 April 2014

### LEISURE PARTNERSHIPS ANNUAL REPORT

<b>Purpose:</b>	To advise Council of the partnership operations of key facilities within the Culture, Tourism, Sport & Leisure portfolio
<b>Policy Framework:</b>	Climbing Higher (Sport & Physical Activity) Strategy; City of Sport; Medium Term Financial Plan
<b>Reason for Decision:</b>	For performance review and challenge
<b>Consultation:</b>	Legal, Finance, Corporate Property, Access to Services.
<b>Recommendations :</b>	It is recommended that: - 1) Council notes the report.
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#### 1. Introduction

- 1.1 A report on the performance of partner operators of key Council facilities within the Culture, Tourism, Sport & Leisure portfolio is reported annually.
- 1.2 This report details some of the key partnership arrangements in providing leisure and cultural services for the benefit of the residents and visitors to Swansea during 2012/13 and identifies some significant achievements during the year along with some issues and challenges.

- 1.3 The key arrangements outlined within this report include::
- 1.3.1 Wales National Pool Swansea (WNPS).
  - 1.3.2 National Waterfront Museum Swansea (NWMS)
  - 1.3.3 Liberty Stadium
  - 1.3.4 The LC
- 1.4 Each partnership has differing arrangements regarding reporting, monitoring and data collation. This report includes performance information for each partner and is an attempt to bring together the key financial and usage information to demonstrate the overall performance of each operation..
- 1.5 The data includes information on key income drivers, overall expenditure including staffing costs and repairs, net cost / profit and costs to the Council.
- 1.6 Overall usage of the facilities is shown with key areas of specific use where appropriate:

## **2. Wales National Pool Swansea**

- 2.1 WNPS celebrated it's 10<sup>th</sup> anniversary in 2013 and held a successful royal visit as part of a Swansea visit by the Princess Royal in September 2013..
- 2.2 The partnership arrangement at WNPS is based on a tripartite agreement between the Council, Swansea University and Wales National Pool Swansea Limited, underpinned by lease and management agreements.
- 2.3 WNPS is a not for profit organisation and is managed by a board of directors including three Council members and three University representatives, chaired by Anne Ellis MBE, with advice given by the Head of Culture, Tourism, Sport & Leisure, and the University Finance officer. The current Council representatives are Councillors Erika Kirchner, Rob Smith and Mitch Theaker.
- 2.4 Day to day management is through the General Manager who reports to the Board. The General Manager is supported by a Management Group with representation by CCS and Swansea University Officers.
- 2.5 The funding of WNPS is on a 50% share of net cost after income received, by both CCS and SU. As part of the agreement, CCS also covers the costs for free use by schools, a contribution towards Swim Swansea as part of a long standing arrangement, and a portion of the Welsh Government's over 60's Free Swim Grant to Swansea. There is a sinking fund of £60k per annum towards future major repairs.

- 2.6 As part of the terms of the Sportlot funding, Swim Wales, the National Governing Body for swimming in Wales also have offices at the venue and pay a contribution for lane use.
- 2.7 The terms of funding also included the requirement for a hierarchy of bookings policy where elite sport gained precedence. The policy allows for public swimming, club swimming, schools swimming, university use, galas and events and organised sessions. The pool also follows CCS pricing policy including Standard price, Concession price and Passport to Leisure. WNPS purchase Service Level Agreements from both the University and the Council for many support services. Through the SLA arrangements, the Council provides support for delivering HR, Payroll, Media and Water Safety.
- 2.8 Whilst Wales National Pool contributed considerably to the British Swimming squad at the London Olympic and Paralympic Games in 2012, with particular success in the Paralympic medal haul, due to the overall lower performance by the Olympic Swimming Squad, British Swimming, the UK's Governing Body, received a substantial cut in it's financial support from UK Sport. This led to a review of British Swimming with one of the outcomes being the reduction in the number of International Training Camps (ITC) across the UK. In late 2013, British Swimming announced that Swansea would lose it's ITC status, and also, the British Disability training would move to Manchester. This will prove a challenge to WNPS in 2014 due to lost income from the elite squad training. Swim Wales will ensure Welsh Squad training continues at Swansea, WNPS is in the process of reviewing it's whole programme to maximise opportunities from the National Squads through to local clubs, learn to swim and public swimming.
- 2.19 The 2012/13 Financial year saw WNPS increase income once again,, through a very successful Aqua School programme, Public and Member swimming, Galas and events and tight control on expenditure, particularly staff costs, and a new planned maintenance regime, saw an end result within budget. Pool chemicals, contract cleaning and utility costs were the most challenging areas of expenditure to control which increased compared to the previous year. There was a computer failure for a short period which affected the September usage records and therefore it appears that usage looks down on the previous year.
- 2.10 WNPS have now entered into an agreement with Bay Leisure to assist with the maintenance at the facility.
- 2.11 As noted in previous reports, there were concerns over issues with the roof. The original contractor has now agreed to carry out the necessary remedial works which are currently under way.

2.12 **Wales National Pool Swansea Performance (Headline Indicators)**

<b>WNPS</b>	<b>2009/10 Actual</b>	<b>2010/11 Actual</b>	<b>2011/12 Actual</b>	<b>2012/13 Actual</b>
<b>Recreational Swims</b>	£279,184	£310,957	£319,000	£349,908
<b>Aqua School</b>	£191,345	£221,732	£230,000	£254,083
<b>Other Income</b>	£449,790	£460,226	£491,000	£473,171
<b>Total Income</b>	<b>£920,319</b>	<b>£992,915</b>	<b>£1,040,000</b>	<b>£1,077,162</b>
<b>Staff Costs</b>	£763,809	£717,380	£752,000	£736,174
<b>Repairs &amp; Maintenance</b>	£211,102	£218,893	£179,000	£184,275
<b>Other Expenditure</b>	£626,444	£584,819	£575,400	£692,620
<b>Sinking Fund</b>	£59,600	£60,602	£60,600	£62,420
<b>Total Expenditure</b>	<b>£1,660,955</b>	<b>£1,581,694</b>	<b>£1,567,000</b>	<b>£1,675,489</b>
<b>Net Cost / (Surplus)</b>	<b>£740,636</b>	<b>£588,780</b>	<b>£527,000</b>	<b>£598,327</b>
<b>CCS Contribution</b>	<b>£370,318</b>	<b>£294,390</b>	<b>£263,500</b>	<b>£299,164</b>
<b>Total Use</b>	<b>247,236</b>	<b>*196,347</b>	<b>208,522</b>	<b>202,914</b>

### **3. National Waterfront Museum Swansea**

- 3.1 The National Waterfront Museum, Swansea (NWMS) operated by Amgueddfa Cymru-National Museum Wales is now in its eighth year of operation.
- 3.2 The level of visitor support remained steady during 2012/13, thanks largely to its extensive programme of events and temporary exhibitions. External factors as the timing of Easter and the weather added a boost to these statistics. Another factor in this success is that the museum continued to expand its links and informal partnerships with organisations, educational institutions and communities throughout the Swansea Bay region and beyond, resulting in a range of joint events that help showcase the area's vibrant cultural and intellectual life as well as its industrial heritage.
- 3.3 The Museum continues to be funded through an innovative public sector partnership between Amgueddfa Cymru and the City and County of Swansea (CCS) set up in 1999 to develop the museum and is fully defined in the Operational Agreement signed by both parties on the 6<sup>th</sup> October 2005 prior to the opening of the Museum.
- 3.4 Under the terms of this agreement CCS contributes a proportion of the museum's annual revenue costs. This was £400k in year 1 and then indexed linked to account for inflation and actual salary increases, being over £550k in 2012/13. The partnership is overseen at a strategic level by a not-for-profit company, NWMS Ltd, the Board of which is made up of three elected members of CCS currently Cllr Nick Bradley, Cllr Sybil Crouch, and Cllr Nick Davies and three trustees of Amgueddfa Cymru, together with an independent chair (currently Mr Roy Phelps). Operational issues are monitored by a group of officers from both CCS and Amgueddfa Cymru (the Operational Review Team). Currently both the Board and Operational Review Team meet twice a year.
- 3.5 During 2012/13, the museum's external signage has been greatly improved and considerable planning has been undertaken to improve the display facilities in the Main Hall and garden. During 2013/14 one of the commercial units was converted into a medium-size conference facility, now called the Ocean Room.
- 3.6 Between 1 April 2012 and 31 March 2013 there were 271,438 visits made to the museum. This was the highest number of visits recorded in one year by the museum, 11.5% above target and a 6% increase on the previous year. This was partly due to there being two Easters falling within this financial year, but the numbers were still 2.8% above the visits recorded in 2007-08, the last time two Easters occurred in the same fiscal year. Overall, by the end of March 2013 the museum had received a total of 1,878,466 visits since it opened in October 2005.

3.7 Major repairs, renewals and maintenance are the responsibility of Amgueddfa Cymru/National Museum, funded from the Museum's core budget as required.

3.8 **National Waterfront Museum Swansea Performance**

<b>NWMS</b>	<b>2009/10 Actual</b>	<b>2010/11 Actual</b>	<b>2011/12 Actual</b>	<b>2012/13 Actual</b>
<b>National Museum of Wales Grant</b>	£611,830	£635,447	£657,242	£669,930
<b>WAG Grant</b>	£566,200	£588,055	£608,226	£620,000
<b>CCS Contribution</b>	<b>£489,450</b>	<b>£508,343</b>	<b>£526,000</b>	<b>£553,889</b>
<b>Other Income</b>	<b>£267,091</b>	<b>£121,915</b>	<b>£164,940</b>	<b>£139,527</b>
<b>Total Income</b>	<b>£1,934,571</b>	<b>£1,853,760</b>	<b>£1,956,408</b>	<b>£1,983,346</b>
<b>Staff Costs</b>	£1,071,177	£1,105,111	£1,147,594	£1,166,800
<b>Repairs &amp; Maintenance</b>	£195,253	£222,212	£245,557	£252,332
<b>Other Expenditure</b>	<b>£423,803</b>	<b>£367,540</b>	<b>£483,189</b>	<b>£546,648</b>
<b>Total Expenditure</b>	<b>£1,690,233</b>	<b>£1,694,863</b>	<b>£1,876,340</b>	<b>£1,965,780</b>
<b>(Carry forward to Renewals &amp; Refurbishment Fund)</b>	<b>(£244,518)</b>	<b>(£158,897)</b>	<b>(£80,066)</b>	<b>(£17,566)</b>

<b>Total visits</b>	<b>258,626</b>	<b>268,636</b>	<b>256,072</b>	<b>271,438</b>
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#### **4. Liberty Stadium**

- 4.1 As reported in previous Partnership Reports, in April 2005, a Joint Venture Agreement (“JVA”) between the Council, the Swans, the Ospreys and the Swansea Stadium Management Company (SSMC) was signed as the basis for the management of the Stadium. In accordance with the JVA the shares in SSMC were divided equally between the Council, the Swans and the Ospreys with each holding 50,000, £1 ordinary shares.
- 4.3 SSMC operates under the day to day control of its Board of Directors. The Council is represented on the Board by two of its Members, the remainder of the Board being made up of two representatives each from the Swans and the Ospreys. The current Council representatives are Councillor Christine Richards (Chair) and Councillor Nick Bradley. The nominated alternate member is Councillor John Bayliss.
- 4.4 The Stadium is leased to SSMC under a 50 year lease. The rent payable is effectively 30% of any distribution of profits from SSMC. The lease can be terminated for non payment of rent, breach of covenant by SSMC, or the insolvency of SSMC.
- 4.5 As reported in the previous Annual Partnership Report, Officers from the Council had undertaken the annual inspection in the last three years and whilst there were initial concerns regarding the lack of an adequate planned maintenance programme this now appears to have been largely addressed and the agreement to move the annual inspection to the end of the closed season in the summer of 2013 has assisted in allowing SSMC to carry out their “annual” planned programme of works prior to the review being conducted. The council continue to work with SSMC to ensure their obligations continue to be met.
- 4.6 SSMC have also undertaken some adjustments to the asset in line with the requirements of the lease regarding seeking landlords consent and as of writing this report there is one outstanding issue that councils officers are working with SSMC to conclude prior to formal sign off of this work
- 4.7 The Final accounts for 2011/12 have now been submitted. The position being that the Company made a profit of approximately £160k for that year which was not reported in the last Annual Partnership Report as the accounts were subject to audit.

- 4.8 Before any distribution of profit could be considered the Company would have to be in a position of net profitability taking account of past accumulated losses. There is therefore considerable progress to be made in terms of profitability before any distribution could be made.
- 4.9 In terms of past losses, under the terms of the SJVA such losses are effectively guaranteed by the Clubs who have indemnified the Council in that respect.
- 4.10 The contribution towards dealing with accumulated losses of £160k was a start. The Council has indicated to SSMC that the business plans should aim to resolve the accumulated losses within three years. The Council directors were asked to ensure that the business plans going forward are only agreed when this has been appropriately addressed.
- 4.11 The 2012/13 saw a further improvement showing a profit of almost £270k. It is the intention of SSMC to have fully dealt with the accumulated losses during their current financial year June 2013 to May 2014.
- 4.12 The Liberty Stadium has again contributed hugely in the on-field success of both partner clubs, the Swans in particular, and Swansea as a destination. Through the development and success of both clubs the profile of Swansea as a city and destination has increased. SSMC has also been successful in making the stadium a key conference facility in South Wales.
- 4.13 Usage of both non sporting, sporting and concerts has again been high with an increase in 2012/13 over the previous year.
- 4.14 A full Economic Impact Report on the benefits to Swansea from year one of Premier League football has been conducted by the Welsh Economic Research Unit, Cardiff University. The main areas reported were that the benefits to Swansea have been around £55m of additional revenue and has supported and sustained 340 jobs.

**4.18 Swansea Stadium Management Company Performance**

<b>SSMC</b>	<b>2009/10 Actual</b>	<b>2010/11 Actual</b>	<b>2011/12 Actual</b>	<b>2012/13 Actual</b>
<b>Income from Swans</b>	£798,318	£802,055	£929,745	£1,306,544
<b>Income from Ospreys</b>	£266,120	£246,736	£184,841	£207,450

<b>Premier Club Income</b>	£293,062	£304,224	£347,706	£341,987
<b>Other Turnover</b>	£1,030,593	£927,800	£1,230,012	£1,247,955
<b>Total Income</b>	£2,388,093	£2,280,815	£2,692,304	£3,103,936
<b>Total Expenditure</b>	£2,397,422	£2,421,511	£2,532,413	£2,834,274
<b>Profit (loss for year)</b>	£-9,329	£-140,696	£159,891	£269,662
<b>Stadium Visits (Sporting &amp; Concerts)</b>	517,416	557,183	560,385	569,658
<b>Stadium Visits (Non-sports)</b>	48,365	54,218	48,536	51,401

## 5. The LC

- 5.1 Bay Leisure Limited (BLL) once again performed above target during 2012/13, showing another year on year increase in usage, contributing a further £100k saving to the Council and providing a surplus for further investment of over £50k.
- 5.2 The Board is made up of local citizens with the essential skills to bring a new commercial edge to the organisation and as a not for profit company, it benefits from financial advantages not available to the Council. There are 11 Directors, 2 of which are Council members. The current Council Board members are Councillor Mandy Jones and Councillor Andrea Lewis.
- 5.3 The Council's Corporate Building & Property Service conduct an annual review of the maintenance at the LC and the BLL maintenance team again proved that they have delivered a high quality maintenance regime. The report for 2014 will concentrate on the Lifecycle replacement plan.

- 5.4 The Culture, Tourism, Sport & Leisure Business & Partnership Unit (BPU) conducted two monitoring reports during 2012/13. One area reviewed was the impact of BLL's investment into the facility during 2011/12 which was aimed at countering the impact of new discount Fitness Clubs in the City Centre. The new Spin Studio saw an increased attendance from just under 6,000 users in 2010 to over 13,000 users in 2012. The impact of the new City Centre Gym started to have an impact in early 2013 and is having a affect on income during the current year and challenging the year end performance for 2013/14. A new discount Gym is due to open in Parc Tawe which will pose further challenges in 2014/15.
- 5.5 The BPU also considered the performance of the LC on the Council's priority for working with Target Areas compared to the Council run Leisure Centres. An analysis of Gym members postcodes showed that 27.4% of Council Gym members are from target areas, the majority from the Penderry area, whilst the LC also recorded 27.4% with the majority from Castle / Townhill areas. BPU monitoring will focus on the impact of the Passport to Leisure Scheme and the new Disability Plus 1 scheme introduced in late 2013 at it's next review.
- 5.6 BLL have continued operating to a Service Level Agreement with Culture & Tourism's Water Safety Team to train and monitor lifeguard operation to ensure the high quality of water safety training across the Swansea facilities, and have now trained up some of their own staff as Trainer Assessors to assist the Water Safety programme.
- 5.7 BLL's Not for Profit constitution has enabled it to continue to re-invest into the Company. The latest development has been the introduction of a new Simply Gym and Simply Play at Kingsbridge to compliment the Simply Gym at Llansamlet. These new ventures are intended to offset the impact of the recent influx of large Discount Gyms sweeping across the country, and surpluses are being used to continue to reduce the Council's funding support at the LC.

5.8 **LC Performance**

<b>LC</b>	<b>2009/10 Actual</b>	<b>2010/11 Actual</b>	<b>2011/12 Actual</b>	<b>2012/13 Actual</b>
<b>Edge (Water park)</b>	<b>£820,174</b>	<b>£828,295</b>	<b>£859,000</b>	<b>£978,139</b>
<b>Peak (Fitness Suite)</b>	<b>£1,269,242</b>	<b>£1,456,455</b>	<b>£1,530,000</b>	<b>£1,295,910</b>

<b>Core (Dry Sports)</b>	<b>£198,769</b>	<b>£209,828</b>	<b>£254,000</b>	<b>£301,992</b>
<b>Other Income</b>	<b>£507,358</b>	<b>£537,714</b>	<b>£613,000</b>	<b>£598,790</b>
<b>Total Income (Excl Mgt Fee)</b>	<b>£2,795,543</b>	<b>£3,032,292</b>	<b>£3,256,000</b>	<b>£3,174,831</b>
<b>Management Fee</b>	<b>£820,174</b>	<b>£828,295</b>	<b>£793,000</b>	<b>£693,584</b>
<b>Total Expenditure</b>	<b>£3,488,720</b>	<b>£3,765,399</b>	<b>£3,940,000</b>	<b>£3,814,058</b>
<b>Surplus / re- investment</b>	<b>£401,453</b>	<b>£14,644</b>	<b>£109,000</b>	<b>£54,357</b>
<b>Sinking Fund (CCS)</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>	<b>£150,000</b>
<b>Other CCS Contribution</b>	<b>£115,000</b>	<b>£115,000</b>	<b>£115,000</b>	<b>£115,000</b>
<b>Total Use</b>	<b>614,707</b>	<b>674,248</b>	<b>693,000</b>	<b>750,077</b>
<b>Gym Membership</b>	<b>3,764</b>	<b>4,428</b>	<b>4,029</b>	<b>3,664</b>

Other CCS contributions include £45k Buildings Insurance and £70k per annum for the first 5 years for the purchase of the Fitness equipment.

## **6. Monitoring Arrangements**

- 6.1 Officers will continue to monitor these facilities vigorously to ensure that they are complying with the terms of the various agreements and leases that are in place, as well as to ensure that they are contributing towards the achievement of the Council's ambitions as identified in the agreed Policy Commitments. Of particular interest are the contributions made to

- The City of Sport and Culture
- The Healthy City
- Target Areas
- The support of the tourism economy.

## **7. Summary**

7.1 This report identifies the varying agreements that are in place with each of the key partners operating Leisure and Cultural Services. The report also highlights the rationale for the variations due to the differing circumstances and requirements of other bodies involved in each partnership.

7.2 With the differing models it is also clear that standardising monitoring and reporting is not straight forward, but measures are taking place to use the accepted good practice of Compliance and Performance.

7.3 This report is also a mechanism of identifying the successes and challenges and a transparent approach to displaying the delivery of services by the various partnerships, the outcomes and the cost of supplying those services.

7.4 It also demonstrates that the Council is challenging the partners to maintain quality and improved services to which all partners reported are achieving those improvements.

## **8 Equality and Engagement Implications**

8.1 There are no specific Equality or Engagement implications associated with this report.

## **9. Legal Implications**

9.1 There are no specific legal implications at this stage

## **10. Financial implications**

10.1 There are no specific financial implications

**Background Papers:** None.

**Appendices:** None