

<b>Meeting of:</b>	<b>SUBJECT OVERVIEW AND SCRUTINY COMMITTEE 2</b>
<b>Date of Meeting:</b>	<b>23 SEPTEMBER 2024</b>
<b>Report Title:</b>	<b>PROPOSAL TO EXTEND THE TERM OF THE HEALTHY LIVING PARTNERSHIP WITH GLL / HALO LEISURE</b>
<b>Report Owner / Corporate Director:</b>	<b>CORPORATE DIRECTOR, SOCIAL SERVICES AND WELLBEING</b>
<b>Responsible Officer:</b>	<b>SOPHIE MOORE GROUP MANAGER, PREVENTION AND WELLBEING</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no effect upon the policy framework or procedure rules.</b>
<b>Executive Summary:</b>	<p>The report summarises the progress and achievements that have been made since the establishment of the partnership with GLL/Halo in 2012 and the potential benefits of extending the current term.</p> <p>The report describes the achievements made in terms of growing usage of services, managing service quality and outcomes and in particular ensuring that many of the risks that had been identified in relation to the leisure estate have been reduced via investment schemes. The report describes the financial efficiencies that the Council have been able to deliver by working in partnership, whilst retaining certain controls on service provision, and the potential for future efficiencies. The challenging financial position that the Council is facing is recognised together with the related potential merits of a short-term extension of the partnership agreement whilst the Council determines its longer-term position. The positive outcomes and cost effectiveness of the current partnership are key drivers for this at a time of significant uncertainty. A potential contract extension would provide the Council with the time needed to determine its longer-term position on healthy living and leisure service provision in line with a new strategic plan and approach.</p> <p>The report also contains information on the cost increases that would be likely to apply should the Council wish to insource this service area when the additional risks that the Council would be accepting are factored in. This could amount to two to three times the current costs, with no guarantee of better outcomes, when all factors are considered which may be currently unaffordable. An extension period would potentially support a number of</p>

	<b>further financial efficiencies to be taken forward and the nature of the partnership agreement provides the flexibility to negotiate such changes in requirements. A number of such changes are already being taken forward in accordance with the partnership agreement.</b>
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## **1. Purpose of Report**

- 1.1 The purpose of this report is to present the progress and benefits that the Healthy Living Partnership has delivered in supporting the wellbeing of local people and communities in Bridgend County Borough Council since its establishment and to provide considerations regarding the possible extension of the partnership agreement.
- 1.2 The report also highlights the additional risks that the Council would be taking in regard to directly operating the related services and the potential for significant cost increases.
- 1.3 The report asks Scrutiny to consider the evidence in this report and to note the actions needed and processes to be followed to potentially extend the Healthy Living Partnership with GLL/Halo Leisure based on identifiable cost efficiencies and mitigation of specific risks.

## **2. Background**

- 2.1 The Council established a 15-year partnership agreement with GLL/ Halo Leisure in 2012 to operate eight leisure centres and swimming pools and related services to support and improve population health and wellbeing.
- 2.2 At that time condition surveys of the leisure assets revealed that they were in a poor condition, and they were identified on the corporate risk register as a risk with no identifiable sources of capital investment to support improvements. This was having a negative impact on customers and related income generation and creating sustainability challenges for these services.
- 2.3 The Healthy Living Partnership Agreement sought to improve the condition of the leisure buildings and a full repairing lease was negotiated within its terms. This was developed as an optional variant within the partnership agreement which saw the risk of repairing and maintaining the leisure assets passed to the partner organisation. This has resulted in a scheduled approach to repair and maintenance being applied and with related risks positioned with the service delivery partner.
- 2.4 At the commencement of the partnership, there was large scale modernisation needed at Bridgend Life Centre which has subsequently supported the co-location of the town library, changing room improvements and the creation of a wellbeing hub in addition to new fitness and play facilities. There is a prudential borrowing arrangement still being repaid by the Council regarding these works.

- 2.5 The Council had sought a new level of affordability to operate the leisure assets that would be founded on good control of costs and the potential for increased income generation that would allow the management fee to be reduced. The management fee had commenced at £2,329,153 in 2012 and had reduced to £1,399,872 by 2023-2024. The calculations of efficiencies when inflation is considered have shown that £1,802,000 of savings had been delivered in real terms by 2021. During this period there were significant financial challenges related to the pandemic faced by the Healthy Living Partnership that required additional support from Welsh Government and other sources to be provided. The cost-of-living crisis has also placed pressure on the management fee, with inflationary increases of 10.4% in 2023-24 and a further 4% in 2024-2025, resulting in an overall management fee payable, after taking account of MTFS reductions, of £1,255,980 for 2024-25. Due to the current financial challenges, the Medium-Term Financial Strategy (MTFS) approved by Council requires that the Council and its partners are negotiating further financial efficiencies that might be deliverable following on from those already made.
- 2.6 The Council had requested that external assessment of quality assurance would be conducted via “Quest” – the UK Quality Scheme for Sport and Leisure. In 2019, the Healthy Living Partnership in Bridgend was awarded a grading of ‘excellent’ and was the only partnership to achieve this in the UK. Similar accreditations for operating venues to high standards have also been achieved at individual sites. The Healthy Living Partnership, including the Council and its partners were awarded “excellent” in the recent Quest external assessment in June 2024 against the National criteria to support service planning and performance review.
- 2.7 The management of the partnership has been reviewed on a number of occasions by the Internal Audit service and a substantial assurance rating achieved. This includes the latest review by Internal Audit during 2023 which also resulted in a substantial assurance audit opinion. There has been substantial assurance in all previous reviews. The Council retained a small client resource to support the direction and focus of the partnership which has ensured that the Council’s requirements and protections have been delivered. There is also broader corporate oversight of progress and strategic direction via the advisory board that includes the Leader, key Cabinet Members, and the Chair of Scrutiny - Subject Overview and Scrutiny Committee 3.
- 2.8 The Council has continued to protect a number of pricing categories to ensure that the most vulnerable are able to access venues and services and people on means tested benefits are strongly represented amongst memberships and usage statistics of local facilities although the MTFS for 2024-25 onwards includes savings by reducing subsidies in this area. The partnership agreement retains sufficient flexibility for the Council to determine any changes in requirements and indeed its levels of support. It is for the Council to determine the levels of reductions in subsidy that it supports, and a recognition of price sensitivity will be applied to support accessibility of services.
- 2.9 The Council has also ensured that an outcomes framework is used to support the planning and delivery of services in relation to key themes including healthier communities, children and young people, strong communities, sustainable facilities, and cost-effective delivery. These themes inform annual service development planning and performance reporting. The two latter themes have ensured that the

sustainability and cost effectiveness of the services have been developed appropriately.

- 2.10 The Council had also sought to see a growth in the numbers of physical activity-based participants, and this was consistently being achieved leading up to the pandemic. Usage has been positively rebuilding since the end of covid restrictions on the sector and changes in government monitoring of the sector have enabled a growth in focus on mental wellbeing outcomes and social connections also.
- 2.11 The Healthy Living Partnership agreement is currently due to end in March 2027 although there may be an opportunity to put in place a short extension period to the partnership to further rebuild pre-pandemic performance levels, recognising current cost of living challenges, and to allow the Council further time to determine its longer-term position. Based on the current financial position this may be prudent for the Council to consider as opposed to larger scale service reductions in the short to medium term.

### **3. Current situation/ proposal**

- 3.1 The current partnership agreement term is due to end in March 2027. The Council will, in the interim, need to determine the future model for delivery of Healthy Living Services, the facilities in scope, targeted outcomes and indeed the affordability of services in the highly challenging budget context facing public services. It may be in the coming years that the Council needs to formulate its longer-term position and a short-term extension may be helpful in that context. Any extension would need to retain the flexibility that might be needed for further changes in requirements and also be more cost effective than alternatives.
- 3.2 The pandemic caused significant disruption to the leisure sector across the UK and also the need for progressive rebuilding of services and related income to support operational costs when Governmental hardship-related support was curtailed. The Council continued to provide its management fee during this period, even when the centres were closed, but due to national restrictions and public caution there will have been reduced benefit to the Council in terms of usage by the public, investment into assets and the development of new services that had been anticipated. The Council may wish to support an extension of time to strengthen and rebuild services and related benefits to local people to where they might have been prior to determining the longer-term future model for service provision. This position has been further compounded in recent years by economic downturn and these factors have prompted the extension of a number of leisure partnerships across the UK. This has been in recognition that the leisure and hospitality sectors have been under pressure and that there have been high levels of instability with the potential for significant cost increases where new partnerships are developed.
- 3.3 Throughout the pandemic, significant financial support was needed via the Welsh Government's Hardship Fund and the Job Retention Scheme to support the resilience of the Healthy Living Partnership over a number of years, and this will also have required some direct support via the Council.
- 3.4 The Council has procured a partner organisation who over the next 12-18 months will support the development of the next Active Bridgend strategy following the Wales

Audit Office review and report published in 2020. This exercise will include leisure infrastructure alongside other broader opportunities that support community activity and wellbeing but will help the Council to identify its longer-term strategy. This will align to the Council's wellbeing objectives.

- 3.5 Based on the current need for financial cost certainty, control and stability where it can be achieved and in the absence of the longer-term strategic approach there is merit in considering an extension of the Healthy Living Partnership that has been recognised as being a successful arrangement to date. This would ensure that the Council continues to benefit from a lower cost management option for the shorter term when compared to engaging a new provider or direct provision of the services and ensure that the related operational and financial risks would to a large extent stay with the partner organisation.
- 3.6 In August 2023, the Council received a formal proposal from Halo Leisure regarding consideration of an extension to the Healthy Living Partnership term by a period of 5 years to 2032 and the rationale for such consideration. The proposal included specific areas of focus such as affordability and finance, participation and socio-economic duty, asset management, corporate wellbeing, the carbon reduction agenda, service quality and the potential for community hub development.
- 3.7 The Council commissioned an independent review of the extension proposal which found that it had the potential to deliver savings to the Council and also focus on improving the service and further transforming the service into a health and wellbeing service. The review summary suggested that it would be unlikely that the Council would achieve a better position through putting the contract to market for a short term. The review suggested that granting an extension to March 2032, when a new leisure strategy and related investment needs was more fully known, would be a prudent way forward. The independent review suggests that the alternative of insourcing is likely to see budget requirements increase significantly in the short term.
- 3.8 The review stated that the proposal regarding the extension provides the Council with confidence that Halo can deliver its requirements and provide an opportunity to either reinvest in the Centres or reduce the management fee which may be important in the current financial climate. The potential to explore a range of further efficiencies has been presented via the MTFs process.
- 3.9 The current agreement does not provide any express options for further extension past the expiry date of 31<sup>st</sup> March 2027 so any extension would require the modification of the existing contractual terms to vary the expiry date from 31<sup>st</sup> March 2027 to 31<sup>st</sup> March 2032. Modifications to public contracts during their term present a procurement risk with potential for challenge on the basis that the revised contract is essentially a new contract for which there should have been a fresh competitive procurement process and that may result in a claim for damages from an aggrieved competitor and/or their seeking to set the new modified contract aside. To lawfully modify the contract, it will need to be in accordance with regulation 72 of the Public Contracts Regulations (PCR) 2015 and the Council's Contract Procedure Rules (CPRs) which reflect regulatory requirements.
- 3.10 Rule 3.3.3 of the Council's CPRs reflects a regulatory safe harbour provided under regulation 72(1)(c) of the PCR 2015 and provides that publicly procured contracts

may be modified without the requirement for a new procurement procedure where all of the following conditions are fulfilled:

- (i) the need for modification has been brought about by circumstances which the Council having been duly diligent could not have foreseen;
- (ii) the modification does not alter the overall nature of the contract;
- (iii) any increase in price does not exceed 50% of the value of the original contract.

- 3.11 The circumstances set out in paragraphs 3.1 to 3.8 could not have been reasonably foreseen by the Council. The pandemic has had a significant impact on the partnership which is still in a recovery position. Service development aspirations, commercial performance and the overall scope of the Healthy Living Partnership were considerably affected. Extending the partnership will allow the initial aspirations and objectives of the partnership to be realised (including community outcomes, social benefits as well as commercial return on investment initially planned but would not be possible without the extension). In addition, the Council needs to determine the future model for delivery of Healthy Living Services. The Council could not have foreseen the post-pandemic leisure services market volatility or the budgetary restrictions now facing public services. More recently, HMRC have made changes to how the leisure sector is treated which is seeing agency-based approaches developing which are potentially cost effective for such partnership approaches also.
- 3.12 The proposed extension does not alter the overall nature of the agreement as it will be the same services that will continue to be provided during the extended period. The increase in price of the agreement which is estimated at total c.£6.565m is less than 50% of the original contract value of c.£21m. The annual management fee payable to the Healthy Living Partnership would also in effect be reducing.
- 3.13 Seeking to rely on rule 3.3.3 in the present circumstances though would not be without issue and the reasoning set out above may be subject to challenge particularly given the time that has passed since the subsiding of the pandemic. Any reliance upon rule 3.3.3 as a basis to modify the agreement should be strictly limited to the duration which is absolutely necessary for the Council to address the unforeseeable circumstances – that is, the proposed extension should be strictly limited in duration to allow the Council to undertake its leisure facility strategy and re-procure (if that what it decides to do) a longer term operator and/or to allow realise the benefits of the agreement which were “lost” as a result of the pandemic.
- 3.14 For the Council the following considerations would relate to the period of extension that might be justifiable if challenged although there is no single reason that would satisfy all aspects. Although the pandemic commenced in 2020, its negative impacts on viability continue today and the loss of required investment into the asset plan when there was loss of income has had substantial impact. The Council had shown diligence in establishing a full repairing lease arrangement, but this plan was disrupted by unforeseeable circumstances. The investment in a full repairing lease is a unique and material consideration that the Council put in place. The services are 4 years on from the initial closures due to national restrictions and usage and income is still having to be rebuilt and this has been further compounded by the national economic downturn. The significant increases in utility pricing have added pressures to the partnership in recent years coupled with the emergence of the net carbon

agenda which also could not have been foreseen. The risk of a challenge to a consideration of extending the partnership needs to be set against other short term operational and financial risks that the Council would need to evaluate by not extending for a short period. The Council had set an affordability level when using competitive dialogue to establish the management fee and could not have reasonably foreseen the current financial pressures that the local authority is facing or what might be affordable in a volatile contract market. The extension period sees further reductions in management fee proposed and other potential efficiencies which are not creating additional benefits for the contractor. Based on the above an extension period of up to 5 years is considered appropriate to stabilise the current services and agree a new strategic direction.

3.15 Rule 3.3.5 of the Council's CPRs reflects a regulatory safe harbour provided under regulation 72(1)(e) of the PCR 2015 and provides that publicly procured contracts may be modified without the requirement for a new procurement procedure where the modifications, irrespective of their value, are not substantial. A modification is to be considered substantial where one or more of the following conditions is met:

- (i.) the modification renders the contract materially different in character from the one initially concluded; or
- (ii.) the modification introduces conditions which, had they been part of the initial procurement procedure, would have—
  - (a) allowed for the admission of other candidates than those initially selected,
  - (b) allowed for the acceptance of a tender other than that originally accepted, or
  - (c) attracted additional participants in the procurement procedure;
- (iii.) the modification changes the economic balance of the contract in favour of the contractor in a manner which was not provided for in the initial contract;
- (iv.) the modification extends the scope of the contract;
- (v.) a new contractor replaces the one to which the contracting authority had initially awarded the contract in cases other than those provided for in Rule 3.3.4.

3.16 There would be some potential arguments that the proposed extension does not amount to a substantial modification on the basis that (a) it would be difficult for any aggrieved operator to establish that, had the proposed extension been included in the original tender, it would either have bid or had in fact won the tender and (b) the proposed extension is not otherwise a substantial modification as it does not render the agreement materially different, change the economic balance of the agreement in favour of the contractor nor considerably extend the scope of the agreement. However, such arguments do carry some risk as it may also be arguable to the contrary that the proposed extension would amount to a substantial modification. As with reliance on rule 3.3.3 an extension would entail a degree of risk of challenge.

- 3.20 It is reasonably arguable that the ground set out in CPRs 3.3.3 and 3.3.5 may permit the proposed extension. However, there are also possible counterarguments to those arguments in favour and therefore successful reliance on those grounds are not guaranteed and they may be challenged. Relying on either would therefore entail a degree of risk of challenge for the Council.
- 3.21 To mitigate the above risk it would be advisable to issue a voluntary ex ante transparency (VEAT) notice and/or contract modification notice if the Council decide to proceed with the proposed extension. If these were published before the proposed extension is made it could flush out any possible challenges. Publication of such notices would also trigger a 30-day limitation period for challenges to the proposed extension.
- 3.22 From a financial perspective the Healthy Living Partnership is projected to have positively rebuilt many participation levels of customer usage by 2026-2027 with costs relating to existing leases and investments being written down at this point and effectively reducing finance costs. This creates the potential for a £200,000 per annum management fee reduction for the period of extension and does not preclude other negotiated efficiencies being delivered. This is currently a proposed efficiency as part of the MTFS for 2027-28 which would be at the commencement of the extended period.
- 3.23 The improved financial picture driven by reduced lease and depreciation costs offer a range of opportunities for the partnership to consider. During the 5-year extension period Halo indicate that a reduced management fee of £200,000 is feasible, as outlined in paragraph 3.22, whilst the longer period for the Healthy Living Partnership to plan and invest may offer some further efficiencies also beyond that.
- 3.24 Should the Council not need to (or wish to) reduce the management fee further by 2027 then Halo have proposed alternatives that could include investment into programmes or initiatives, investment into access support for targeted population, improvement works to leisure assets or further investment into energy reduction measures. It is however recognised that delivering cost reductions may be the short to medium term priority for the Council.
- 3.25 The sums identified could also be used to support minor capital improvement works that might be identified within the Active Bridgend strategy from 2025, or indeed as match funding towards larger improvement schemes should the financial position improve.
- 3.26 There has been positive growth in membership rates during 2023-24 including from amongst the more vulnerable, and also growth in the overall rates of participation. Operating costs however remain challenging particularly in regard to employment costs and the National Living Wage increases going forward.
- 3.27 The Healthy Living Partnership has to date performed well in terms of supporting the socio-economic duty and overall levels of participation. There are circa 1854 'access to leisure' members based on means tested criteria that are accounting for circa 10 % of visits to venues and service. Halo Leisure will work with the Council to review its requirements in regard to price subsidy and sensitivity as it has done annually. There are proposed changes to the level of subsidy that will likely impact on this and



other concessionary access controls that the Council currently has in place that could change the profile of users of public leisure services. This was largely supported within the Council's recent budget consultation.

- 3.28 There has been strong performance in regard to supporting our more vulnerable families and young people including those known to social care. There is supported access for over 100 families and young people including those with additional needs, young carers and care experienced young people. Whilst external investment has been able to reduce costs to date there could be cost increases for a number of Council service areas using related services to support the people that they are working with. As the Council reduces its subsidy for the Healthy Living Partnership other sources of investment would be needed for these interventions. Where possible the use of external investment to sustain these approaches will continue to target subsidy and support.
- 3.29 The development of responses to community pressures such as 'autism friendly swim' and 'Feel Good for Life' for dementia / cognitive impairment have been integrated into service delivery models. The National Exercise Referral Scheme continues to generate high volumes of referrals across a range of chronic conditions and now including pulmonary rehabilitation, cancer rehabilitation and joint care interventions.
- 3.30 The condition of the Council's leisure assets had been identified as a corporate risk prior to the creation of the Healthy Living Partnership in 2012. Ensuring that the assets were improved and more sustainable was a key objective when establishing the partnership.
- 3.31 Since 2012 the centres have benefited from a total of £3.1 million of investment through a combination of income generation and funding from the management fee into preventative maintenance, break-fix maintenance, and minor upgrade works. Halo now employs its own maintenance technicians working in centres to manage costs and response times.
- 3.32 An additional £8.6 million has been secured through a variety of funding sources and invested into capitalised upgrades and maintenance including planned fabric repairs and mechanical and electrical renewal. During the initial 15-year term, the Council will have benefitted from investments into improving the assets of circa £14 million including usage of external funding whilst progressively reducing the management fee. Examples can be seen below: -

<b>Completed Projects and Investments</b>	<b>£</b>
Bridgend Life Centre Capital Works	4,200,000
Pyle Swimming Pool Refurbishment	250,000
Maesteg Sports Centre Refurbishment	420,000
Wellbeing Hub facility/ Bowls Hall	665,000
Maesteg Sports Centre Soft Play	75,000
Garw Valley and Pyle 3G Pitches	100,000
Air Handling – Pencoed, Pyle, Ynysawdre, Bridgend	600,000
Roof Replacements/ Refurbishment	680,000

Heating System Upgrades	650,000
LED Energy Reduction Investment	85,000

- 3.33 For the proposed extension period, Halo has already outlined potential investment into continued repairs and renewals, energy reduction, improved accessibility whilst recognising some aspects might be deemed less essential, dependent on the Council's financial position and linked to the MTFS. These would be subject to annual agreement.
- 3.34 In terms of the Net Carbon agenda, the partnership agreement set Halo Leisure an objective of reducing energy consumption by 2% per annum for a 10-year consecutive period, equating to 548 MWH of electricity and 2.1 GWH of gas consumption.
- 3.35 In 2022, Halo leisure was consuming 16% less electricity than in 2011 and 24% less gas whilst increasing usage of the buildings also. This has delivered a net reduction of consumption of 22% equating to over 600 tonnes of reduced carbon output.
- 3.36 Investments during the period have included energy saving air handling units, combined heat and power units, water saving measures and LED lighting retrofits.
- 3.37 Each Halo centre has achieved Green Mark environmental accreditation and there is an ongoing commitment to maintaining this registration.
- 3.38 Halo Leisure have identified the potential for further investment into energy reduction measures including solar array, waste reduction programmes and further LED lighting. There is potential for sharing of investment and returns that could reduce operating costs and dialogue is taking place with Council decarbonisation leads. As operators of large assets across the UK there is significant knowledge and experience amongst the partner organisations in this area.
- 3.39 Halo Leisure would also continue to support the Council with its carbon reduction strategy and future projects such as the Heat Network or other similar projects as they develop. A contract extension would also enable the Council to review the energy related schedules within the partnership agreement in more detail to consider including an alternative approach to paying for utilities that would be more VAT efficient based on the Council's ability to recover VAT. This has been reviewed in previous years and the need for a more fundamental change to the partnership agreement has been identified as required as the change to practice and related benefits may be significant. The MTFS approved by Council in February 2024 includes a budget reduction proposal of £45,000 for 2024-25 in relation to a review of current energy payment arrangements for the leisure contract.
- 3.40 The Council has retained a number of controls that support the monitoring of service quality and customer service. The Quest Active Communities framework is proposed to be continued to evaluate the effectiveness of the partnership whilst the Quest facilities model would monitor performance at individual centre levels.
- 3.41 During 2023 an online dashboard of performance was created to support the Council to track key metrics in real time.

- 3.42 These metrics include areas such as membership numbers, health and safety incidents, repair and maintenance response times, visits to centres and customer related feedback.
- 3.43 The advisory board mechanism in place that includes Cabinet and Scrutiny Chair supports regular review of progress and performance by key decision makers and the opportunity to shape future service planning and related Council controls. As Council investment reduces there may also be opportunities to engage other partners who are able to invest into use of the facilities or the development of services. There may be potential to expand the purpose of venues and levels of co-location to support cost effectiveness.
- 3.44 The facilities within the Healthy Living Partnership have been further developed as described which has also included the co-location of other service delivery points such as carer wellbeing, employability, library provision and pop-up support for the community via Bridgend County Borough Council (BCBC) customer services.
- 3.45 The proposed extension would provide scope to further develop community hub approaches and to recognise the broader role and purpose that venues could have in supporting both physical and mental wellbeing within communities. There is a growing demand for spaces to be used for mental wellbeing activities alongside physical activity.
- 3.46 There is the potential to review alternative usage of spaces within centres and how they could be brought into more productive usage to support viability. External feasibility funding is being sought to explore these opportunities further. The Council has also provided funding to support feasibility studies relating to the indoor bowls hall at Bridgend Life Centre and also Garw Valley Centre for 2024-25.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 An equality impact assessment was conducted on the establishment of the Healthy Living Partnership in 2012. The continued support by the Council for the Healthy Living Partnership ensures that the original outcomes of the partnership can still be progressed and contribute to the strategic equalities plan.
- 4.2 The Healthy Living Partnership agreement includes a requirement to comply with the Welsh Language Act and related legislation and standards.
- 4.3 The Council's control over pricing policy continues to ensure that access for those who are disadvantaged is supported.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 The wellbeing goals identified within the Act have been considered in the preparation of this report alongside the Council's wellbeing objectives.

Long Term      The report identifies how a short-term extension of the partnership agreement may provide the time needed to confirm the Council's

longer term strategic direction and for greater economic stability to emerge.

Prevention	The Healthy Living Partnership has developed strong cross sector working with social care and health to support people to remain connected within communities and to de-escalate needs. The services support many vulnerable groups including disability, dementia, carers and cared experienced young people.
Integration	The Healthy Living Partnership has strongly contributed to broader Council policy and tackling inequality by supporting people with a protected characteristic and intergenerational working.
Collaboration	The Healthy Living Partnership has successfully developed innovative responses to population wellbeing and attracted a range of capital and revenue investments to support operating costs.
Involvement	The Healthy Living Partnership engages and supports service users and stakeholders to help improve services and opportunities using co-production-based approaches.

5.2 Within 'Delivering Together: - Our Corporate Plan 2023-28', the proposal aligns to a number of the Council's wellbeing objectives particularly: -

- A County Borough where we protect our most vulnerable.
- A County Borough with thriving valleys communities.
- A County Borough where people feel valued, heard and part of their community.
- A County Borough where we support people to live healthy and happy lives.

## **6. Climate Change Implications**

6.1 There are eight leisure buildings within the Healthy Living Partnership and measures are in place to reduce impact on climate in addition to controlling consumption and related costs.

6.2 Halo Leisure have installed a diverse range of energy efficiency measures within leisure assets ranging from LED lighting to pool heat retention and full building energy management control systems.

6.3 The facilities are spread across the County Borough which helps to reduce the associated volumes of customer journeys.

6.4 Halo use the Green Mark framework to inform its approach to energy management and have reduced their energy consumption in line with the indicative targets in the partnership agreement since 2012.

6.5 Halo Leisure have consistently worked alongside the Council in regard to projects designed to improve energy management such as the Bridgend Heat Network.

6.6 There are opportunities for the Council to work with the partners to invest into measures that reduce utility-based consumption and cost. The partners are skilled

and experienced in this respect based on the range of facilities operated across the UK. This could further help with carbon reduction and also MTFS challenges.

## **7. Safeguarding and Corporate Parent Implications**

- 7.1 The Healthy Living Partnership contributes to ensuring that appropriate safeguarding measures and controls are in place during direct delivery of services and also in regard to groups and organisations utilising leisure facilities.
- 7.2 Such controls include reviewing the measures put in place by National Governing Bodies of sport and their implications at community level.
- 7.3 Halo Leisure are an active partner in the corporate parenting strategy and have been supportive of activities and opportunities for care experienced children.

## **8. Financial Implications**

- 8.1 The Healthy Living Partnership has supported the Council to progressively make financial efficiencies beyond the management fee agreed in 2012.
- 8.2 The base management fee payable had been £2,329,153 in 2012-13 and had reduced to £1,399,872 by 2023-24. There are identified opportunities to further reduce management fee costs through the partnership agreement, linking in with the MTFS for 2024-25 and beyond.
- 8.3 The annual inflationary increases based on Consumer Price Index have been included in the above management fee figures highlighting the real value of efficiencies that have been delivered in the first 12 years of the partnership.
- 8.4 There will be a further £200,000 reduction to the management fee from 2024-25 highlighting the cost-effective outcomes that the Healthy Living Partnership has delivered to date with other proposals also being explored.
- 8.5 Beyond the above saving in 2024-25, which is deliverable, there are a number of other MTFS related savings that are possible. Should the Council be minded to extend the partnership agreement then there is a further £200,000 of savings projected for 2027-28. When the full repairing lease is considered, which has to date included responsibility for all asset management and facility upkeep across the 8 leisure venues, this represents good value for the Council and positions the risk for asset works and costs with the partner organisation. The full repairing lease costs are integrated within the annual management fee.
- 8.6 The MTFS 2024-2028 includes a £50,000 saving for 2024-25 linked to a review of the full repairing lease aspect of the Healthy Living Partnership contract and opportunities to invest differently or less within the leisure estate. It should be noted that this could lead to a backlog of £150,000 to £400,000 in works over a 3 to 8 year period although other sources of investment and development schemes can be pursued. There has been good progress in this respect in recent years via the partnership.

- 8.7 The MTFs 2024-2028 also includes a budget saving to reduce the levels of subsidy for the more vulnerable and potentially other concessionary categories also. It is targeted to deliver a budget reduction of £15,000 per annum from 2024-25 and can be progressed through the partnership, although the impact will need to be monitored.
- 8.8 There is also a budget saving related to reducing the opening hours of facilities where this could deliver a reduction in operating costs. Indicative proposals have been received and are being evaluated further with the intention of delivering an annual saving of £30,000. It is uncertain as yet whether related changes would have any consequential costs that the partners would need to claim from the Council in regard to the changes being requested e.g. redundancy costs, and in particular where there are implications to staffing of specific facilities. Wherever possible the opportunities to increase usage and income will be reviewed in this context.
- 8.9 The current MTFs also identifies a saving relating to reviewing opportunities to amend the current energy payment arrangements for the leisure contract that may not be immediately deliverable without a potential contract extension and related legal advice based on previous reviews in this area. Annual energy uplifts in line with the contract are supported corporately and are an integral part of the partnership agreement. The current cost of utilities may prohibit such an efficiency in the short term. Should the Council have plans to invest into energy reduction measures this would be helpful in terms of reducing consumption, cost and carbon which would benefit all partners.
- 8.10 The MTFs also includes a proposed saving of £30,000 spread over 3 years (2025-26 to 2027-28) based on improving the income generation potential of the indoor bowls hall space at Bridgend Life Centre on a seasonal basis. The Council is supporting feasibility study work to explore such potential. To deliver the efficiency the related investment into the facility will also need to be identified. The sources of investment may depend on the developments that the feasibility study identifies as beneficial and would include external sources and potentially also minor capital works if deemed a priority.
- 8.11 The Council has sought further detail on the costs that would be applicable if the service was to be run as an in-house service, recognising the loss of many advantages that relate to partnering with a social enterprise. A full and comprehensive options appraisal had been conducted in 2011 to determine the most effective way forward. The Council commissioned an updated independent review in 2023, which suggested that the Council would expect to pay a minimum base increase of circa £4.4 million over the 5-year period from the end of the current contract in 2027, but the annual cost is likely to increase and potentially significantly when all risks are considered.
- 8.12 It should be noted that whilst financial projections can be produced based on modelling this is difficult to be done accurately for the various identifiable risks that the Council would inherit from developing an in-house approach. The Council would need to invest into its own appropriate management structure compared to the current structure that is currently shared regionally and across other partnerships as a more cost-effective approach. It is unlikely that the expertise operating the current service would transfer into BCBC. Generally, experience has shown that an external operator can deliver a better financial position than in-house delivery and the services within Bridgend are now significantly more reliant on income generation. The Council

would need appropriate sales, marketing, and ICT infrastructure to support income generation and management of usage and data. The Council would be accepting full operational risks, including for assets, and would need to scale up its support services such as HR, finance, legal and property. The business rates reductions eligible through the partnership arrangement would no longer be allowable. Beyond this, the terms and conditions of the workforce and pension arrangements would serve to increase costs significantly. There would also be one-off cost implications to support the transfer process and related mobilisation.

- 8.13 The Council will be working with Halo to explore further opportunities to deliver financial efficiencies including energy consumption and costs, investment into assets, pricing and reducing hours of venue availability where they are less productive. The establishment of an extended contract arrangement may enable a more VAT efficient approach to funding energy payments to be developed although many gains in terms of reducing consumption have already been achieved. This may form part of a larger corporate approach to reducing energy consumption and cost.

## **9. Recommendations**

- 9.1 That members note the content of the report and identify any points requiring clarification.

## **Background documents**

None