

Report to the Education and Economy Scrutiny Committee

MEETING	Education and Economy Scrutiny Committee
DATE	09/11/23
TITLE	Byw'n Iach
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CABINET MEMBER	Cllr Nia Jeffreys

1.0 Title of Item: Update on the Performance of Byw'n Iach Cyf. Company Contract

2.0 Why does it need to be scrutinised? :

The period of the Covid-19 pandemic has impacted the income of Byw'n Iach centres, which are run by the company.

The matter is included on the risk register because of the risk that Byw'n Iach might fail to continue to provide services in Gwynedd leisure centres, due to the impact of Covid-19 and the increase in the cost of living, on their income.

3.0 What exactly requires scrutiny?

- Is the company delivering services in accordance with the contract?
- Is Cyngor Gwynedd's contribution adequate considering the change in circumstances?
- What steps are taken to try to increase income?

4.0 What is the background and the relevant contract management arrangements?

4.1 On 1 April 2019 the responsibilities for providing leisure services in the 12 Cyngor Gwynedd Leisure Centres were transferred to Byw'n Iach Cyf. Byw'n Iach is a company limited by guarantee, in the ownership of Cyngor Gwynedd which ensures that it always operates for the benefit of the county's residents.

4.2 The general contract requirements for Byw'n Iach Cyf is to provide:

- A varied programme of leisure, sport and community activities that is accessible to all, including disadvantaged and vulnerable groups
- Consistently provide high-quality customer experiences and customer care.

- Ensure effective cooperation between stakeholders and partners across the sports and physical activity sector in the County
- Support the development of activities and promote participation by community organisations, clubs / groups and schools
- Continuously review and enhance the range and scope of the provision, always being aware of customers' needs and increasing visitor numbers and customer satisfaction, especially among the hardest to reach.
- Sustain high levels of hygiene throughout the properties.
- Market and promote the Service, the Building and activities in an accessible, attractive and professional manner which also targets those least likely to participate in sport, with the aim of increasing participation and user numbers
- Encourage more Gwynedd residents to take part in physical activity, sport and cultural activities, especially those residents with greater health needs.
- Subject to the leasing conditions, maintain the quality of the properties.
- Work continuously to improve efficiency in service provision, reduce the cost of the service to the Council, and aim to reduce the current contractual sum.
- Seek opportunities for grant funding to support business development and continuously improve services.
- Provide qualified fitness staff that are sufficient to ensure compliance with all aspects of the contract at all times.

It is also an expectation of the contract that Byw'n Iach Cyf. demonstrates in its Business Plan how it contributes to the Council's Strategic Vision as included in the Gwynedd Plan for 2018-2023. The vision is to:

- 'support all the people of Gwynedd to thrive and live full lives in their community, in a county which is one of the best counties to live in.'
- putting the welfare of Gwynedd citizens at the forefront of all its activities
- commit to the principles of the Well-being of Future Generations Act (Wales) 2015 in order to improve the economic, social, environmental and cultural well-being of Gwynedd communities.
- ensure that Gwynedd citizens can "enjoy happy, healthy and safe lives."
- The Council's vision for its leisure centres and agreed programmes is to "Collaborate with partners locally, regionally and nationally in order to inspire, support and enable Gwynedd residents to be active and live healthy lives."

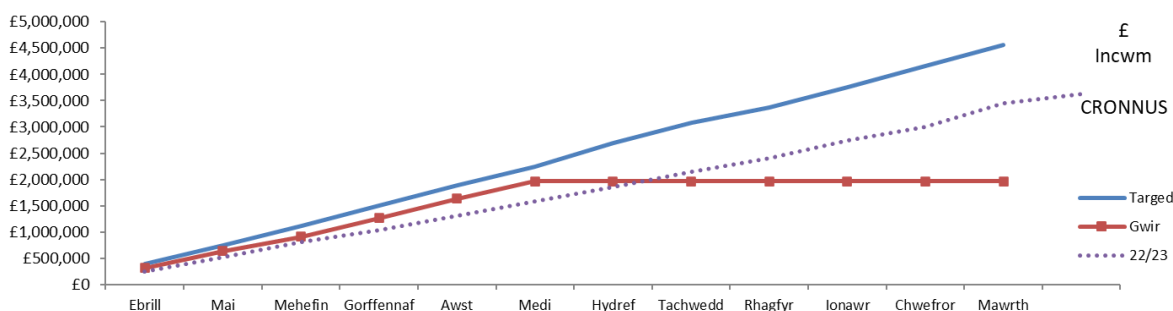
4.3 In each financial year, and as part of the annual report noted in Part 3 of Schedule 5 of the contract, Cyngor Gwynedd will hold monitoring meetings to see whether the objectives of the Approved Business Plan and the overall contract requirements are delivered.

5.0 The Company's Recent Performance

5.1 At the beginning of the current financial year, Cyngor Gwynedd agreed to provide additional financial support to Byw'n Iach Cyf. at a level that exceeded the Contractual Sum. This commitment was made based on the company's Business Plan, which illustrated a best-case scenario of a £437k deficit, a medium case scenario of a £655k deficit and a worst case scenario of £873k deficit. The Business Plan illustrated a best-case scenario for 24/25 with a deficit of £0. The commitment of additional support was crucial, as it formed the basis of the Company's External Auditors reporting that the company was legally trading.


5.2 Cwmni Byw'n Iach's Quarter 2 Monitoring Report explains that the performance has been positive since the beginning of the year and exceeds what had been outlined as the best scenario in the Business Plan which was presented to the Council back in February 2023. As a general indicator, by the end of quarter 2 of this year there were 434,000 visits to the centres, which is an increase of 45,000 compared to quarter 2 last year. We now estimate a deficit of £346k at the end of the year compared with £551k at the end of 22/23. The projected deficit is approximately £90k better than what was included as the best scenario in the Business Plan. This is also an improvement of £30k compared to the Quarter 1 Monitoring Report.

The graph below illustrates the income from the centres this year compared to the target and the 22/23 performance.



5.3 The income has regrown faster in some fields than others. Swimming in general is a sector that has seen a strong recovery and work has been carried out across the county to increase the level of income from swimming lessons to its highest level ever. Currently, the number of children receiving swimming lessons is 16% higher than the pre-Covid level. This has been possible due to the high level of demand that has resulted from the Covid years as well as significant efforts by the company to recruit and train new swimming instructors.

5.4 Fitness income continues to increase year on year, and follows the sector's usual seasonal pattern. The membership level is now at 86% of the pre-Covid level (compared to 75% this time last year). When the centres were closed in March 2020, the level of Direct Debit membership was at an all-time high and had risen due to a significant investment in new equipment. That level had been reached as a result of annual growth over a decade. The pandemic led to the end of regular payments and provided an opportunity for members to decide whether they wanted to remain members immediately upon re-opening. A percentage of the population was naturally concerned at that point and decided to suspend their



contracts, at least temporarily. Therefore, it is natural to expect that it will take some years to rebuild this element of the business, taking advantage of the usual "uplift" that happens each Spring. The recent performance is even more positive in light of the fact that the latent demand in the county has reduced by 668 customers in the period since before Covid and this year. This is based on a series of factors including demographic changes and the number of competitors.

5.5 The Company has prioritised growth and the income recovery processes in their Business Plans over the past two years. Here are examples of some of the "Improvements" that have been delivered in order to achieve this:

- Re-designing the programmes of the Wet Centres in order to extend the programme of swimming lessons and introduce additional classes.
- Recruitment and training of 80 new swimming instructors
- Recruitment and training of over 30 new fitness instructors and upskilling a further 31
- Appointment of a Fitness Coordinator to specifically focus on increasing the fitness income
- A series of successful marketing and communication campaigns to promote membership e.g., 12 Days of fitness and 12 Days of Summer, Introduce a Friend scheme, Holiday Fitness etc.
- Recruited 24 new employers to the Corporate Scheme (compared to 8 pre-Covid)
- Creation of a new Personal Training Offer
- Attracting grants to improve users' experiences e.g., create a new fitness studio at Plas Ffrancon and a new weightlifting room in Bro Dysynni, and improve the changing spaces for disabled people and families in several centres.
- Attracting grants to increase capacity e.g., re-design the changing rooms in Bangor
- Launch of the Join@Home offer in order to facilitate the membership process
- Development of a new App and growth of the community through various social media e.g., over 11k followers on FB (the largest number of followers amongst north Wales leisure providers)
- Collaboration with Alliance Leisure, to prioritise schemes to create additional income streams (bids for funding have been submitted for developmental work)

6.0 Challenges and Investment Needs to Support Recovery

6.1 The Company continues to work hard to recover, but it is also important to note that many challenges remain, including the cost-of-living crisis. This puts pressure on the ability of local residents to spend on non-essential services, such as leisure. The growth that has taken place so far has come about during an extremely challenging period for households and the sector.

6.2 Wage inflation in the public sector and beyond is an additional challenge. Traditionally the Company / Service has increased fees to close the gap for wage inflation. Since establishing the company, the method of dealing with wage inflation has been different, which is inevitable because of the nature of an arms-

length body compared to a service within the Council. The Council service budgets receive annual increases to address the inflation affecting wages, but the arrangements with the company are different as a specific decision needs to be made by the company regarding salary scales. Estimating inflation on wages is an essential part of the budgetary process in order to reflect the budgetary situation and to identify the financial gap. If it remained as an internal service, steps would have to be taken to address the gap, as Council services have already done. In accordance with the contract between Cyngor Gwynedd and Byw'n lach, Byw'n lach has no automatic right to inflation, and the company must make a request for this as part of the annual business planning procedure, as the rate of inflation was far lower when the contract was established. A Bid (worth £49,170) for this purpose has been submitted this year. Although it will provide support in relation to the challenge of fees inflation, it will not be sufficient to close the gap entirely. If this bid is successful, we anticipate the need to increase fees by around 7.5%. Increasing fees at any level will pose an additional challenge in relation to our ability to serve all the county's residents, especially those on low incomes. Any significant increase in fees carries the risk of stifling or preventing the growth process that is crucial to recovery.

6.3 An additional challenge is the age and condition of the fitness equipment. A recent internal review has identified numerous examples of equipment in poor condition. It appears that the intense cleaning processes during the Covid period accelerated the deterioration of the equipment, due to the use of more powerful cleaning chemicals than usual. Under the terms of the contract, Cyngor Gwynedd is responsible for renewing the main sports and fitness equipment in the centres. A request has been submitted to include an investment of £1 million to renew the fitness equipment in the centres in the Council's next Asset Management Plan. This investment is crucial in order to maintain future income and growth. This year's Customer Satisfaction reviews have shown progress in all areas, but there is an obvious pattern, with the highest levels of satisfaction relating to staff, and the lowest levels relating to the equipment and facilities.

6.4 It is also important to note that inflation is not included in the main grants which are transferred to the company, in order to target people who require additional support to be active e.g., the Exercise Referral Programme. Recently, the new Sports Wales funding model has suggested that Gwynedd (unlike the other north Wales counties), may see a significant decrease in its grant to deliver the North Wales Actif strategy This could lead to a decrease in the service levels that can be targeted towards areas such as deprivation, disability and other inequalities.

The following bids, submitted to the Council this year, involve supporting the recovery of the companies and compliance with health and safety and data matters.

Title	Value	Observations
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Bid for CPI on the Contract Sum	£49,170	Permanent bid to contribute to the higher level of inflation in wages. Could contribute to restricting the fee increase by 1% (e.g., an increase of approximately 7.5% instead of 8.5%)
CCTV System Bid	£72,000	One-off bid to install a new CCTV system across all the company's sites. The current system is deficient and carries a risk of failing to comply with health and safety, insurance and data management requirements.

7.0 Recommendation

7.1 The Education and Economy Scrutiny Committee is invited to scrutinise the arrangements of Cyngor Gwynedd and Cwmni Byw'n Iach to provide leisure services in Gwynedd.