

## Appendix A

### Celtic Leisure contract - Summary of proposed principles

<b>Issue</b>	<b>Detail</b>
Indemnity Agreement	Throughout the Covid-19 pandemic and through the subsequent cost of living crisis the Council provided Celtic leisure with an Indemnity Agreement to ensure Celtic Leisure could meet any legal liabilities in respect of the provision of indoor leisure . Now trading conditions have settled down this indemnity would be removed as part of the five-year extension. However, the changes outlined in this table will help provide Celtic Leisure with reassurance they are able to continue to trade should things change and also sets up an open book, partnership moving forward.
LGPS Pension	Twenty six percent of the staff at Celtic Leisure remain within the LGPS scheme. Due to the age profile of that cohort specifically within Celtic Leisure a recent actuary assessment has reduced the Celtic Leisure contribution to zero. This is a temporary adjustment and the proposed management fee is based on a zero assessment. Should the actuary assessment be adjusted this will be automatically built into the fee for future years.
Utilities	Utility charges are projected to decline in the short term but with continuing uncertainty, especially with the ongoing conflict in the Ukraine, they may continue to fluctuate. The proposed management fee has been adjusted to reflect a reduction in the costs for 24/25 but as with the LGPS pensions assessment the proposal is adjust the management fee each year based on the market projections.
Pay Award	The current management fee has no allowance to reflect pay awards and one of the key issues for the Celtic Leisure staff is the lack of funding available to reflect this. The proposal is to build the nationally agreed pay award into the management fee going forward; again, adjusted each year depending on the latest projections.
Inflation	The current management fee has no allowance built in for inflation and with volatile (largely fixed) costs it is often difficult to pass these fully onto the consumer. Therefore, a CPI allowance has been built into the mgt fee for 24/25 and would be adjusted each year to reflect the current issues.
Investment	Any business needs consistent investment to grow and with a short-term extension of 5 years it is difficult for Celtic Leisure to borrow and depreciation will have an exaggerated effect on the balance sheet. Therefore, a top slice of £200k per annum has been removed from the management fee, to be held and spent by the council. This will aid the depreciation issue but also be VAT efficient. Celtic Leisure will be expected to bring forward an investment and business plan within 6 months of the new CEO commencing work. This investment will help to modernise the facilities and ensure they are in a good shape going forward.

Management fee – efficiency	The Council is having to make efficiency savings across all departments of circa 5% to ensure a balanced budget. Celtic Leisure have the ability to deliver this from additional income as well as making efficiencies across the business. Due to some local competition the ability to implement some price rises is limited and therefore a 4% rate has been applied. This will be reviewed annually.
Splashpark kiosk	Celtic Leisure currently manage the Aberavon Seafront splash park on behalf of the Council. This year the kiosk as expanded and offered to Celtic Leisure (in accordance with procurement requirements) to run as its more efficient to have one operator for the area and it also means the Council can take advantage of Celtic Leisure’s charitable status for NNDR savings. This proposal will add the kiosk into the portfolio of leases for the duration of the extension.
Pontardawe Swimming pool	Pontardawe Swimming Pool closed/ closes on 31 August 2024 and this will reduce the Council’s management fee. It is estimated this will be in the region of £300k per year and that figure has been worked into the new management fee. The £300k figure will be updated as the effect of the closure becomes known.
Board	As trustees express an interest to step down from the Board, the Company Secretary will begin a process to refresh the trustees and will, where possible, look at the skills required to support the Celtic Leisure board for the duration of the extended contract.
CEO	Celtic Leisure will undertake a robust recruitment process to find a new Chief Executive Officer with the intention of them being in place by 1 <sup>st</sup> April 2025. Council officers will actively be involved through this process, though it should be noted the final decision will rest with the Celtic Leisure board.
Annual Review	The principles of the management fee will be in place for the duration of the extension with the future years fee being agreed by 30 <sup>th</sup> November in the preceding year (i.e. 30 <sup>th</sup> Nov 2025 for the 26/27 financial year)