

**LEISURE SERVICES CONTRACT  
MONITORING REPORT – Q2 2019/20**

Presented by the Director of Finance & Resources

**EXECUTIVE SUMMARY**

The purpose of this report is to provide the Executive Committee with a breakdown of Lee Valley Leisure Trust Ltd's performance against its Key Performance Indicators during the second quarter of the final year of the current Leisure Services Contract. This incorporates financial, customer, internal process and sustainability measures that have been agreed with Lee Valley Leisure Trust Ltd as part of the Leisure Services Contract.

A summary of the key achievements (reported by Lee Valley Leisure Trust Ltd (the Trust) against the Key Performance Indicators following the first quarter of 2019/20:

- a reported shortfall of £550,000 against the Trust's operational budget;
- a high level of customer satisfaction has been maintained across the venues (84%), in line with last year's score (86%) and above the overall UK customer satisfaction index (UKCSI) of 77% and the individual scores for the UK leisure (80%) and tourism (81%) sectors;
- the net promoter score (NPS) gives an indication of the relationship that customers have with the venues, asking customers how likely they would be to recommend the venue they visited to friends or colleagues. The score can range from -100% to +100%, with a leisure industry average of 24%. Across all venues the average score for 2019/20 is 52% - up from 50% in 2018/19 and is on target;
- 28% of all visits were calculated as regional compared to 29% last year. This equates to 419,000 visits which is a decrease from 472,000 visits last year;
- there were 1,496,000 visits to the venues – an 11% decrease from the same period last year. This is mainly attributed to the Shell Campsite not returning to the WaterWorks this year, the decline in rafting and track cycling customers and 100,000 less visits at Lee Valley Hockey and Tennis Centre which hosted the World Cup during the summer of 2018.

## **RECOMMENDATION**

Members Note: (1) the report.

## **BACKGROUND**

- 1 As part of the Leisure Services Contract (LSC) between the Authority and the Trust it was agreed that a range of (Key Performance Indicators (KPIs) should be used for the Authority to monitor the Trust's performance and that this should act as a method by which the Authority can ensure that the broad standards within the contract are achieved.
- 2 Commencing on 1 April 2015, the LSC included KPIs based on the KPIs originally set and agreed by the Scrutiny Committee as part of the balanced scorecard which provided an overview of performance across the Authority. It was agreed that officers from the Trust would provide an update of the KPIs to the Authority to report to the Executive Committee on a quarterly basis.

## **FINANCIAL IMPLICATIONS**

- 3 Based on performance to date and projections to year-end it is anticipated that there may be a potential net budget shortfall of approximately £550,000 to 31 March 2020 before adjustment for any approved clause 14 claims.

Potential clause 14 events for 2019/20 have been identified to the Authority by the Trust through the approved process and include the delay in opening the lodges at Dobbs Weir (currently estimated at £5-10K); excavation works at the golf course (currently estimated at £45-47K) and the campsite (currently estimated at £50K). These claims will be calculated based on analysis of the overall venue actual performance throughout the year and be brought to Members for consideration in the latter part of the year.

The Authority and Trust have both experienced an increase in anti-social behaviour especially during periods of extreme hot weather and this has necessitated increased security costs. Although the Trust made Authority officers aware of the anti-social behaviour at Lee Valley White Water Centre officers are of the view that in general this is something that should be managed through the normal operational budgets of a venue or site.

- 4 The performance report confirms that the remainder of expenditure variations will be covered from the Trust's contingency and accumulated reserves.

## **HUMAN RESOURCE IMPLICATIONS**

- 5 There are no human resource implications arising directly from the recommendations in this report.

## **LEGAL IMPLICATIONS**

- 6 Clause 14 of the LSC enables adjustments to the approved Management Fee subject to certain conditions, which include the following:

- 14.1.1 (a) The specification may require variation due to elements of the services not being set out accurately in the specification;
- 14.1.1 (b) The Trust may identify that the Management Fee is

- insufficient to allow the Trust to provide elements of the Services and/or perform elements of its obligations pursuant to the Agreement;
- 14.1.2 The matters in clause 1 (Utilities) may arise;
  - 14.1.3 An Adverse Right may arise; and or
  - 14.1.4 The circumstances set out in clause 27.7.11 arise. Clause 27.7.1 relates to the Trust's obligation under the agreement to carry out any measure recommended by the Authority's auditor or (as and when relevant) the Charity Commission deemed properly necessary to achieve value for money.
- 14.2 Upon the occurrence of an Adjustment Event the Trust shall issue to the Authority an Adjustment Notice setting out:
- 14.2.1 the proposed amendments required to the Agreement (including but not limited to the Specification);
  - 14.2.2 any proposed amendment to the Management Fee
  - 14.2.3 any interim amendment to the Management Fee to address the unexpected cost of the Adjustment Event;
  - 14.2.4 the steps the Trust can take to mitigate any costs or other consequences of an Adjustment Event which may include (but not limited to) proposals to reprioritise the Services in order to resolve and/or any insufficiency in the Management Fee; and
  - 14.2.5 evidence that the Adjustment Event cannot be accommodated on a temporary basis using the Management Fee payments previously received by the Trust.
- 14.3 As soon as reasonably practicable after submission of the Adjustment Notice the Authority and the Trust shall meet and in good faith seek to agree:
- 14.3.1 the extent of the Adjustment Event;
  - 14.3.2 which mitigation steps set out in the Adjustment Notice need to be undertaken by the Trust; and
  - 14.3.3 the extent of the amendments required to the Agreement and Management Fee (if any) as set out in the Adjustment Notice (including any steps required to be undertaken by the Authority to comply with its own financial regulations prior to any increase in the Management Fee).

## **EQUALITY IMPLICATIONS**

- 7 There are no equality implications arising directly from the recommendations in this report.

## **RISK MANAGEMENT IMPLICATIONS**

- 8 Failure to deliver the contract in all aspects is a major risk for both the Authority and the Trust. As well as Executive Committee, contract compliance and performance is checked regularly and scrutinised through the Authority's own performance monitoring team and through planned audits as part of the internal audit contract.

- 9 Financial performance is a key performance indicator and risk as variations from the agreed Management Fee can result in a negative financial impact on the Authority in the current and future financial years.
  - 10 Clause 14 which allows for adjustment in the Management Fee requires the Trust to clearly set out not only the specific "event" that is likely to cause a negative impact on the Management Fee but also those measures it has taken to mitigate the impact of the adjustment event.
  - 11 It is therefore important for the Trust to set out clearly at the earliest opportunity how it intends to manage in-year variations within the existing Management Fee and/or evidence that any future adjustment event cannot be accommodated on a temporary basis using the Management Fee payments previously received by the Trust as a pre-requisite of any approved clause 14 adjustment.
- 

Author: Simon Sheldon, 01992 709 859, [ssheldon@leevalleypark.org.uk](mailto:ssheldon@leevalleypark.org.uk)

#### **LIST OF ABBREVIATIONS**

<b>KPI</b>	<b>Key Performance Indicator</b>
<b>LSC</b>	<b>Leisure Services Contract</b>
<b>NPS</b>	<b>Net Promoter Score</b>
<b>the Trust</b>	<b>Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)</b>