

**ALTERNATIVE DELIVERY MODEL – LEISURE CENTRES**

**REPORT OF DIRECTOR OF CITY OPERATIONS**

**AGENDA ITEM: 4**

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**PORTFOLIO: COMMUNITY DEVELOPMENT, CO-OPERATIVES AND SOCIAL ENTERPRISE (COUNCILLOR PETER BRADBURY)**

***Appendices 4, 5 and 6 to this report are not for publication under Schedule 12A Part 4 paragraph 14 pursuant to Schedule 12A Part 5 paragraph 21 of the Local Government Act 1972 (as amended). It is viewed that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.***

**Reason for this Report**

1. To consider the proposed appointment of a preferred bidder for the operation and management of the Council's leisure centres.

**Background**

2. On 15 May 2014, the Cabinet considered a report entitled 'Establishing a Programme of Organisational Change for the City of Cardiff Council'. The report acknowledged that, in order for the Council to effectively address the significant challenges it immediately faces, the Council will need to fundamentally challenge the way that its services are currently delivered and consider a full range of service delivery models and providers in order to meet demand pressures and reflect budgetary realities.
3. To this end, the current Corporate Plan 2016-18 includes a commitment to: *"establish the future leisure needs of the city and develop options for alternative models for the sustainable delivery of leisure infrastructure and services by June 2016"*.
4. The current total net subsidy paid to those leisure services relevant to this report was £3.268million in 2015/16 and is projected to be £3.450million for 2016/17. The Council's view is that this level of subsidy cannot be maintained in a regime of significant fiscal contraction. The objectives of any future delivery model which is adopted for the Council leisure services must include the elimination, or at least significant reduction, of this subsidy through income generation and cost reduction.

5. A key theme of the management of the leisure facilities is the focus on healthy living, with the following elements also sought:
  - Healthy Living – ensuring that residents experience good health and live an active life
  - Children and Young People – ensuring that children and young people are healthy, safe and enjoy a range of activities
  - Strong Communities – ensuring that people engage with their communities and that the voluntary sector is strong and supported.
  - Sustainable Facilities – ensuring that appropriate investment is secured for the facilities that will enable the needs of the residents to be met and that energy efficiency and environmental sustainability is at the heart of the operation of the facilities.
  - Cost Effective Delivery – enabling maximum financial performance and long term stability of the facilities, whilst supporting social outcomes.
  
6. In April 2014, the Council commissioned a report entitled “Sport, Leisure and Arts Services Management Options Appraisal” from Max Associates, a company with wide experience of the leisure market. Max Associates worked with council officers in the former Sport, Leisure and Culture Directorate for three months and compared the financial and operational performance of the service with national data sets. The report examined three possible options for the future delivery of leisure centre services:
  - Continuation of in-house operated services.
  - Establishment of a local trust or trusts to operate leisure centres.
  - Contracting with an established trust or private sector partner to operate leisure centres according to a defined specification.
  
7. The conclusion of the Max Associates report was that, while none of the three options stood out as an obvious choice that would enable the Council to address all of the challenges detailed above, the formation of a contractual partnership with an external organisation scored highest in the evaluation model used.
  
8. On 15 May 2014, the Cabinet considered a report, entitled “Management of Leisure Centres & Arts Venues”, and resolved that:
  1. *procurement processes be carried out for the future management of the Council’s leisure centres and arts venues;*
  2. *authority be delegated to the Director of Sport, Leisure and Culture in consultation with the Cabinet Member for Community Development, Co-operatives and Social Enterprise, the Cabinet Member for Corporate Services and Performance, the Section 151 Officer and County Solicitor to:*

- (i) deal with all aspects of the procurement processes and ancillary matters (including contract award criteria and an assessment of risks including equality impact assessment) and report back to Cabinet with a recommendation as to the decision regarding the contract award(s).*
- (ii) note that an engagement and consultation exercise will be carried out with staff, Trade Unions and key stakeholders on the proposal.*

9. Following this decision, the Cabinet approved the commencement of a procurement process for the future management of the Council's leisure and arts venues under delegated authority to the then Director of Sport, Leisure and Culture (now the Director of City Operations).
10. A copy of the Cabinet report of 15 May 2014, which includes a summary of the Max Associates business model options appraisal, is attached as **Appendix 1** to this report. The report also included an Equality Impact Assessment, which has been reviewed during the subsequent procurement process. An updated copy of the Equality Impact Assessment is attached as **Appendix 2** to this report.
11. It should be noted that the transition to alternative delivery models for the delivery of leisure services has already commenced within Welsh local government. Currently, Powys, Wrexham, Bridgend and Vale of Glamorgan Councils have external partners running their leisure provision. In addition, Newport, Torfaen and Blaenau Gwent Councils operate Trusts with their own respective management boards. In England, the provision of leisure services by external operators on behalf of local authorities is well established.
12. The changing market landscape for leisure provision was recognised in a report, entitled "Delivering with less – Leisure Services", which was published by the Wales Audit Office in December 2015. The Wales Audit Office found that some councils were still too slow to realise opportunities to reduce expenditure on leisure services and needed to consider alternative models of delivery in order to reduce costs. In addition, those councils which have transferred leisure facilities to trusts have, on average, made annual savings of £2.4million.
13. The report made specific recommendations for local authorities in Wales to undertake options appraisals to identify the most appropriate delivery model based on a council's agreed vision and priorities for leisure services, including consideration of:
  - the availability of capital and revenue financing over the next three to five years;
  - options to improve the commercial focus of leisure services;
  - opportunities to improve income generation and reduce council subsidy;
  - a cost-benefit analysis of all of the options available to deliver leisure services in the future; and
  - the sustainability of service provision in the future.

## SCRUTINY PROCESS

14. The report considered by the Cabinet on 15 May 2014, entitled "Management of Leisure Centres & Arts Venues", included a pre-decision letter from the Economy and Culture Scrutiny Committee. This followed the work of a task & finish group which was established to consider in detail the options available to the Council and to help shape the thinking of the Council. This included the recommendation that, if option 3 was decided upon, a contract report will be presented to the Economy and Culture Scrutiny Committee on annual basis.
15. Members also wrote to the Cabinet Member for Community Development, Co-operatives and Social Enterprise to raise the following points:
  - *"Members are pleased In House service provision is being used as a benchmark throughout the process, and welcome the fact that the Council's provision of services is still being driven to reduce costs and improve quality of service. Members were keen to stress that they would welcome the retention of the service if the Council's service provision is found to compete with the options provided by the wider market.*
  - *"Members expect social objectives, such as such as the payment of the Living Wage to staff, reduced charges for Children who are Looked After and increased access for disadvantaged customers, to be considered and explored with bidders as the procurement process progresses.*
  - *"Members reiterated a point made in May 2014 - that working with a partner organisation driven by social goals (such as a trust, charity or social enterprise) would be the Committee's preferred option. They felt that this approach would provide a natural role for Elected Members and the Local Authority to contribute to the running of facilities, and feel these organisations would better address the social elements of the services provided in Leisure and Cultural facilities".*
16. The Economy and Culture Scrutiny Committee has considered the proposals outlined in this report as part of a pre-decision scrutiny of the leisure centre management procurement exercise, which took place on 21 July 2016. After considering all the evidence and taking note of the concerns of the three Trade Unions regarding the amount of time allowed to study documents and some instances of the work practises implemented by the preferred bidder, the Committee took the view that they could not endorse a delay in this decision being made in the light of the severe financial pressures and risks facing the Council.
17. A copy of the letter from the Chair of the Economy & Culture Scrutiny Committee, which has been received following the meeting on 21 July 2016, is attached as **Appendix 3** to this report.

## PROCUREMENT PROCESS

18. The procurement exercise has been conducted in accordance with the Competitive Dialogue Procedure under the EU Public Sector Procurement Directive (2004/18/EC), implemented into UK Law via the Public Contracts Regulations SI 2006/5 with effect from 31 January 2006. The Council is contracting for a Leisure Operator to manage and operate Cardiff's Leisure Facilities over a 15-year period.
19. A Business Case has been developed (see **Appendix 4**) based on the Office of Government Commerce (OGC) Five Case Model, which is the best practice standard recommended by HM Treasury for use by public sector bodies when evaluating public sector proposals. The Business Case will determine which delivery model for leisure centre services will best enable the Council to address the above challenges. Of particular concern is the financial subsidy currently required to operate leisure services. Any delivery model which is adopted must enable the significant reduction of the subsidy in the medium term down to zero, whilst maintaining current levels of service in an environment of increasing demand and expectations of continuous improvement.
20. The facilities in scope for this Business Case are the leisure and sports centres which are currently owned and operated by the Council:
  - Llanishen Leisure Centre
  - Eastern Leisure Centre
  - Fairwater Leisure Centre
  - Western Leisure Centre
  - Pentwyn Leisure Centre
  - Maindy Centre
  - STAR Centre (Splott) – the current Star Centre will close when the new STAR Hub opens in the Autumn of 2016
  - Penylan Library & Community Centre
21. The following facilities are **NOT** in scope for this Business Case:
  - Cardiff International Pool (International Sports Village, Cardiff Bay)
  - Cardiff International White Water
  - Cardiff International Sports Stadium (leased to Cardiff & Vale College)
  - Channel View Centre
22. The Cabinet report of 15 May 2014 also stated that the In House model would act as the default position for the procurement exercise. In accordance with this, the Council's Active Cardiff team has developed an Enhanced In House model for operating the leisure services, which acts as the Council's default position and comparator with the bids received in the procurement process.
23. The Enhanced In House model has been subject to internal challenge during the procurement process by a separate team established by the Council's Organisational Development team, which has involved employees from a range of different council services.

24. The use of an In House model (as enhanced over the time the procurement is conducted) as a comparator was stated in the OJEU Contract Notice and has been relayed to bidders throughout the procurement process.

## **INVITATION TO SUBMIT FINAL TENDERS AND CLOSING OF DIALOGUE**

25. The Invitation to Submit Final Tenders (ISFT) represented the third stage of the Competitive Dialogue Procedure.
26. The two remaining bidders submitted a response to the ISFT.
27. The responses were opened on 4 July 2016. Relevant compliance checks were carried out and the responses were evaluated in accordance with the re-determined evaluation criteria.

## **EVALUATION OUTCOME**

28. Following a detailed evaluation process the recommendation is to select Greenwich Leisure Limited (GLL) as the preferred bidder to manage the Leisure Facilities in Cardiff. For further details, please see below and exempt **Appendix 5** (Evaluation Report).
29. The best bid in financial terms has met the affordability criteria set by the Council and will reduce the current £2.5million subsidy to a nil subsidy position by 2019/20. Only a small client budget will need to be retained. The total budget required over the 15-year contract term will be £6.842million. Over that same period the Enhanced In House subsidy requirement is £8.913million. The best bid provides the Council with a saving of approx. £32million over the life of the contract.
30. A client function structure will be directly responsible for all contract / performance management of the ongoing leisure operator contract.

## Next steps from Preferred Bidder to Contract Signature

31. If the Council approves the Preferred Bidder recommendation, it is expected that GLL will become Preferred Bidder. They will receive a letter outlining the basis on which the Preferred Bidder status is confirmed and will include the technical, legal and financial positions to be concluded as part of the 'fine tuning process'.
32. Following the decision to approve the Preferred Bidder, a statutory 10 day 'standstill period' will commence (EU procurement rules set out provisions to standstill periods and time limits within which challenges can be brought by an aggrieved bidder).
33. In addition to the standstill and the Council's call in period, it is advised that given the scale and nature of the project and the significance of the decision being sought it is proposed that a minimum of 30-day period is applied between the date the decision is made and the date any contract is formally entered into.

34. Once the standstill period is over, the Council will work with the Preferred Bidder to ensure that all the Contractual documentation is fully complete and properly reflects all the relevant details agreed throughout the procurement.
35. At this stage, under the procurement rules no 'dialogue' or further 'negotiation' is permitted. Any changes to documentation must be limited to 'fine tuning'.
36. Each member of the project team has outlined the outstanding areas that require resolution through the fine tuning process. It includes issues such as the following:
  - Incorporation of clarification responses into drafting;
  - Ensuring consistency across the technical, legal and financial aspects of the documentation;
  - Finalising detailed drafting where principles have been clearly agreed; and
  - Ensuring that the process for amending the financial model is clearly audited and documented.

### **ISSUES DURING THE COMPETITIVE DIALOGUE PROCESS**

37. When the procurement was commenced the Council, amongst other things, sought solutions that were affordable and which kept all centres open. In particular, the stated aim of the Council was that by the financial year 2018/19 leisure services would not require a subsidy (i.e. a payment from the Council to the appointed contractor for operating the Leisure Centres).
38. Due to changing timescales, revised affordability levels have subsequently been communicated to the remaining bidders outlining the need for a significant reduction in the subsidy for leisure services over the first 2.5 years of the contract and reaching a zero subsidy position by 2019/20. Furthermore, there have been issues requiring further clarity from both bidders in respect of pensions and insurance which subsequently required a further dialogue session.
39. The Council's position has also been clarified with bidders in respect of the requirement for maintaining an open pension scheme over the life of the contract. It was recognised that this requirement would increase costs and therefore reduce the level of savings that could be achieved and that this may impact on the ability for bidders to achieve the financial objectives.
40. The Council closed dialogue and sought final tenders on the basis of an open pension scheme.

### **LOT 3: CHANNEL VIEW CENTRE**

41. During the Invitation to Submit a Detailed Solution (ISDS) dialogue stage, bidders were informed that no further work was required in relation to Lot 3 (Channel View Centre) as the Council was minded to remove Lot 3 from

the procurement process due to improving financial performance. Additionally, those bidders who dropped out post-PQQ (Pre-Qualification Questionnaire) were given the opportunity to comment on the proposed suspension of Lot 3. No adverse comments were received back. As a result, the two remaining bidders at the final tenders stage were not asked to submit bids on Lot 3.

42. The Channel View Centre is the operational hub for the only public access slipway to the Bay that exists currently and is therefore of major strategic importance to the water offer in Cardiff Bay. This slipway is also the main access point for activities such as rowing and open water canoeing from the Cardiff Bay Water Activity Centre. The offer at The Channel View Centre compliments the other water based activities such as the White Water Rafting Centre and Sailing Centre. Additionally, the Council is currently developing a new Cardiff Bay masterplan with partners and, therefore, until any future plans are finalised, it is considered appropriate that full control of the Centre is retained by the Council.
43. The financial performance of the Channel View Centre in recent and projected future years is shown below:

Channel View Centre	Actual	Actual	Actual	Actual	Projection	Projection	Projection	Projection	Projection	Projection
Year	2012-13	2013-14	2014-15	2015-16	2016-17	Year 1	Year 2	Year 3	Year 4	Year 5
Income	-178,297	-172,864	-226,629	-225,048	-248,307	-289,140	-336,726	-362,322	-382,322	-402,322
Expenditure	545,333	654,884	408,713	366,222	369,182	372,182	375,740	347,540	347,540	347,540
Subsidy	367,036	482,020	182,084	141,174	120,875	83,042	39,014	14,782	-34,782	-54,782

#### **LOT 4: CARDIFF INTERNATIONAL SPORTS STADIUM (CISS)**

44. Lot 4 (CISS) was removed from the procurement process with no adverse response from the bidders during ISDS dialogue (confirmed on the electronic portal on 1 July 2015 and via a separate Cabinet decision relating to CISS that was taken on 19 March 2015). It should be also noted that bidders at the time were given the opportunity to comment on the withdrawal both at the Invitation to Submit an Outline Solution (ISOS) and PQQ stages and no adverse comments were received.

#### **EMPLOYEES**

45. There are currently 171 Full Time Equivalent posts in Leisure Services that will be affected. The preferred bidder has stated that there will be no immediate changes to employee structures. The employee efficiency savings that have been identified as part of the financial proposals are based on normal vacancy lag within the service and natural turnover across the resource structure. There is also savings by moving away from Agency workers to a base and directly employed casual employees. In the case of the Enhanced In House model, the reduction in employees would have been achieved by a combination of Voluntary Severance (currently 10 expressions of interest) and natural turnover of employees that has seen 29 employees leave the service over the past 18 months.



46. A client function of 5 employees will need to be established to ensure that the contract is monitored and delivers what the Council requires. This structure will be taken as a further detailed report once agreed by the Council's Investment Review Board.

## **FULL BUSINESS CASE METHODOLOGY AND ANALYSIS**

### Business Needs and Objectives

47. The Council's overriding consideration was to seek a significant reduction in the subsidy paid to leisure services as the current subsidy could not be maintained during a period of significant financial contraction.
48. As a result, the Council commissioned a report Sport, Leisure and Arts Services management options appraisal from Max Associates in April 2014, which examined three possible options for leisure services. The report concluded that there was no one obvious choice from the three options, but in order to enable the council to address the challenges above that the formation of a partnership with an external organisation score highest in the evaluation model.
49. The Cabinet agreed this position on 15 May 2014 and also required the Council's Active Cardiff team to develop an Enhanced In House model to act as the Council's default comparator throughout the subsequent procurement process.

### Planned Outcomes Benefits to the Council

50. The future delivery model for leisure centres is expected to achieve a reduction in the financial subsidy with a target to achieve a nil subsidy by 2019/20 whilst maintaining the current level of provision and service of all of the centres in scope.
51. The Council took the view that the only way to determine the level of savings that might be delivered from the market was through a competitive dialogue process which would enable any savings to be competed against a robust service specification which clearly defined the financial position of the Council going forward.
52. The Max Associates report indicated there could be savings from a combination of reduction in central and directorate costs, NNDR, VAT and increased income.
53. It was expected that any future delivery model would result in increased use of leisure centres due to investment in those facilities along with an improved marketing effort including online information and booking facilities.
54. It is expected that the future delivery partner will deliver against the Council's corporate objectives including the responsibility for the health of the local population and the reduction of health inequalities. The ongoing provision of leisure centres by whatever delivery model is chosen will be

an important part of the Council's commitment to discharging this responsibility under the Well-being of Future Generations Act 2015.

### Strategic Risks

55. The alternative delivery model must achieve a significant reduction in subsidy in the medium term. If this is not achieved, then future budgetary pressures could result in closure of one or more facilities.
56. All future delivery models will be vulnerable to some degree of financial shock caused by the potential withdrawal of central government funding (e.g. the recent reduction in funding for swimming lessons).

### Constraints and Dependencies

57. The successful delivery of the change will be dependent on the Council's commitment to implementing an alternative way of working along with having confidence in the robustness of the proposed alternative delivery model.
58. It will be essential that the delivery team has sufficient capacity and expertise to deliver and manage the change during the implementation period and over the longer term.
59. It should be noted that any changes to the demands placed on support services that arise as a result of an alternative delivery model have not been captured within this appraisal and will be managed by those individual support services as they respond to future demands and constraints and considered as part of their own directorate budget proposals.
60. There is no statutory requirement for local authorities to provide sports & leisure facilities; however, the Council are jointly responsible for the health of their local populations, and for reducing health inequalities. The ongoing provision of leisure services by whatever delivery model is chosen will be an important part of the Council's commitment to discharging this responsibility.
61. The successful transition to a new delivery model for leisure services will depend on an alternative delivery model being selected which meets the Council's requirements for the quality of leisure services whilst retaining all facilities in scope and remaining in line with the Council's policies and procedures. Along with this, the new delivery model will need to achieve a significant reduction in subsidy as a result of the severe financial pressures currently facing the Council.

### Economic Case Options Appraisal

62. Two options were identified by the Max Associates report and endorsed by the Cabinet on 15 May 2014 – i.e. the market be tested by way of a procurement process for an alternative delivery model, with an Enhanced In House model acting as the default comparator.

63. The option of going to the market place would provide the Council with security of financial risk while maintaining the current level of provision at all facilities currently operational.

### **Option 1: Enhanced In House Management**

64. The Active Cardiff in house team will continue to manage and operate the leisure centres through frontline Council employees. The Council would retain full responsibility for all income risk and all expenditure including employees, utilities and repair & maintenance costs. The Council would be responsible for all investment and replacement of equipment and facilities. The Council would maintain full control over all aspects of service delivery including pricing, programming and marketing.
65. The Enhanced In House model was developed by Active Cardiff Leisure Services employees in order to provide a comparator to the offerings of the bidding organisations. The Active Cardiff team have over 40 years of experience operating leisure services within Cardiff and are the biggest provider of leisure services across the city.

### **Governance Arrangements**

66. The Active Cardiff team will look to hold monthly strategic planning meetings, using data collected from the Cascade ICT System to provide a breakdown of the service operation, to discuss and review budgets, analyse group fitness and aquatic programming and benchmarking data provided by Alliance Leisure.
67. All customers will be issued with an Active Card in order to capture data and generate more effective target specific customer data and create specific offers based on trends. This will also contribute to more successful customer retention.
68. Active Cardiff has a proven track record of developing partnerships with the Local Health Board, Sport Wales, Sport Cardiff and Swim Wales and will continue to improve these partnerships. Active Cardiff has also developed a strong partnership with Alliance Leisure who assists with upskilling employees in the sales process.

### **Programming and Charging**

69. Active Cardiff currently provides key stage 2 swimming to approximately 85% of Cardiff's primary school and is also the chosen provider for schools with additional needs within the city. The team provide a number of unique leisure offerings to the city which include a cycling velodrome and a BMX track. Work is being undertaken by the team to expand the personal training provision across the leisure portfolio.
70. Active Cardiff has recently started to deliver extremely popular Group Fitness classes via permission and endorsement from a number of companies (based on a payment for licenses). These external partners include; MOSSA (Group Power® & Group Kick®) and Universal (FitSteps®).

## Pricing and Memberships

71. Predicted 53% increase over 3 years in memberships by upselling existing memberships and increasing advertising and marketing through proposed website and social media
72. Improvements are also being made to the Active Cardiff brand and improved promotion of the Active Card membership scheme, ideally to all users of leisure services. The membership cards proposed by the Active Cardiff team are as follows:
  - Premiere
  - Full Active
  - Corporate
  - Employees
  - Concession
  - Aqua
  - Student
  - Casual Max
72. There will also remain a 'pay as you play' option for users. 'Pay as you play' prices have seen a year-on-year increase, whilst the memberships have only seen three price increases totalling 18% (with a price freeze on most memberships for the last three years).
73. From 1<sup>st</sup> April 2015, there was a 6% total increase across the Active Cardiff pricing structure. As of 1<sup>st</sup> April 2016, prices for activities considered to be the 'most popular' (i.e. gym, group fitness classes and general swim sessions) were frozen as it was felt that Active Cardiff had reached its peak pricing point in terms of the market place and its competitors. However, due to price increases on other provisions being applied where it was felt that there was capacity to do so (e.g. room hire) an overall increase of 6% was achieved.
74. The Active Cardiff team is also looking to develop a 'Key to the City' provision which will look to provide discounts across local businesses and amenities

## Advertising and marketing

75. A dedicated Active Cardiff website is currently being developed; this will result in an improvement to the overall customer experience and reduce employee time currently required at front of house. The website will assist in measuring trends and responding to customer demand. Furthermore, the website will link to the new technology underpinning the Learn to Swim – Aqua Passport programme allowing customers to access their profiles in order to track their progression in a fun and interactive way. Again, this should assist in saving on 'front of house' employee time. The website will also assist customers in being able to book activities online and purchase memberships.

76. Discussions are also taking place to develop a smart device App which will provide such information as easily referenced timetables and opening hours

### Opening Hours

77. Since 2010, Active Cardiff has made an effort to review its opening times and rationalise them (based on customer demand) in order to provide appropriate provision without incurring unnecessary costs. The recent introduction of Clarity Live and Cascade allows the provision of 'pin-point' data showing usage and customer demand – which will allow for further review and appropriate amendments. From this, employee deployment and opening times will be dictated and programmed accordingly.

### Catering and Vending

78. The Active Cardiff team will redesign the catering provision by operating a self-service system where the pay point will be shared with the general reception area with an open plan design.

### Community Benefits

79. Multi-agency teams based in six localities across Cardiff share local intelligence to solve problems for their particular neighbourhood, leading to more collaborative and responsive working. To date, teams have reported on progress to the Cardiff Public Services Board (formerly the Cardiff Partnership Board) to demonstrate the progress being made in their area.
80. Active Cardiff Facility Managers make a valuable contribution to this process by attending the respective Neighbourhood Partnership Meetings that relate to their facilities. A member of the Active Cardiff management team also sat previously on the former Cardiff Partnership Board.
81. The Active Cardiff team is also looking to develop an apprenticeship scheme in partnership with Cardiff & Vale College to offer industry training provision.

### Managing People and Change

82. Costs to be reduced by substantial reductions in leisure services employees: by 25% in Year 1, a further 20% in Year 2, an additional 20% in Year 3, another 15% in Year 4 and a final 15% in Year 5. It is hoped that reductions could be achieved by voluntary redundancy and through a process of vacancy appraisal – with no compulsory redundancies. The feasibility of achieving these employee reductions through natural turnover is based on recent high rates of employee turnover, 29 Full Time Equivalent employees having left the service in the previous 18 months.
83. The reductions in employee numbers to be supported by a programme of workforce training and enhancement with the aim of creating a fully multi-functional workforce able to support all areas of the Active Cardiff programme (e.g. all Centre Assistants to hold a lifeguarding qualification and a Level 2 Gym Certificate, and to be trained in reception procedures).

## Facilities Management

84. A maintenance cycle is programmed which will see planned maintenance undertaken at periods when there is lower customer demand or occupation of the building.
85. There is also reactive maintenance with the Assistant Manager on duty at each facility responsible for reporting maintenance issues as they occur. The Active Cardiff team will look to retain a maximum of 3 technicians directly to ensure specialist knowledge can be utilised.

## Investment

86. The Enhanced In House model is based on the intention to invest £3.5million into development of the facilities funded through prudential borrowing, the costs of which have been built into the financial model.

### Option 1 – Strengths:

- The Council will retain full control over leisure facilities, and the programme of activities which they offer, ensuring that the offer remains tailored towards Council outcomes.
- The Council will retain the expertise and enthusiasm of current Leisure Services employees.
- Any financial surplus will be wholly retained by the Council although there is no financial surplus currently projected in the model.

### Option 1 – Weaknesses:

- There will be no transfer of financial risk away from the Council.
  - The Council retains liability for the operational performance of the services and therefore is fully responsible for the financial risk of unachieved income targets and service costs.
  - The Council retains liability for the capital maintenance costs associated with the facilities and any capital funding requirements.
  - As a non-statutory service in a time of fiscal contraction, Leisure Services will be vulnerable to Council budget cuts in future years.
87. The Enhanced In House model was challenged by an internal team of employees from the Council's Organisational Development team, supported by representatives from Finance and HR People Services. The internal challenge team positively reviewed and challenged the Enhanced In House model and acted as a critical friend. The team identified the following risks:
    - Memberships – not achieving the required numbers. The WAO report 'Delivering with Less' (published in December 2015) identified the number of people using Cardiff Council leisure services reduced by 26.5% between 2009/10 and 2014/15.
    - The enhanced In House model uses a simplistic method in calculating increased membership income by using an average

monthly fee of £35 rather than modelling it against each type of membership category. There is a significant risk associated with the method employed in wholesale calculation of increased membership revenue.

- Swimming – the Business Case does not identify how the swimming income increases are going to be realised. Also consideration needs to be given to the grant received by Welsh Government for free swimming.
- Advertising and Marketing – this will be fundamental to increasing the ambitious income targets; however, no costs have been built into the Business Case for this.
- Capital investment – concerns whether the right options have been made. Expanding the existing space to create greater capacity at Llanishen will not necessarily generate new customers at the level required particularly with the local competition. At Penylan the increased membership includes significant proportion of students. The concessions will have an adverse impact on the modelled monthly average fee of £35.
- Managing People and Change – changing employee roles will require trade union consultation and potential job evaluations. This will cause delays and these have not been built into the Business Case. The 12% reduction in employee levels is to be achieved through voluntary severance and natural churn. Concerns are that if the necessary reductions are not achieved then a selection process will be required for redundancies.
- Capacity – ICT have concerns that the Active Cardiff team does not have the required number of employees to deliver the significant change at the rapid pace required and, at the same time, operating in a commercial environment.

88. The team proposing the Enhanced In House model provided answers and rationale to all the points raised, although the challenge team concluded that these risks still remain.

### **Option 2: Commercial Sector Partner**

89. Following a rigorous process of competitive dialogue (see section 4.2 for details of the procurement strategy), the bids received from GLL was evaluated in accordance with the approved evaluation criteria. The outcome of the evaluation process identified the preferred bidder that provided the Most Economically Advantageous Tender (MEAT) as Greenwich Leisure Limited (GLL) to be the most competitive offering received from the market.

### **Summary of proposals received from GLL**

90. GLL has their roots based in the public sector with all senior management team having worked in local government. GLL has 22 years of experience of reducing cost whilst delivering increased quality, investment, community engagement and participation. They currently operate 200 leisure facilities on behalf of 45 partners. GLL is employee owned where one member has one share; as a result, GLL cannot be bought by another organisation.

GLL are also required to re-invest all surpluses back into the business and there is no distribution of profit to shareholders.

91. Key deliverables include:

- GLL will manage lifecycle maintenance based on a landlord / tenant split, with the Council maintaining responsibility for the structure and roofs
- GLL will offer an Open Local Government Pension Scheme
- GLL proposes to provide significant investment into Cardiff's leisure facilities over the contract term

### Governance Arrangements

92. GLL has a high level approach to partnership governance as demonstrated in the Governance Framework below:

93. With an 'open door culture' within centres, users and stakeholders are able to talk freely to employees on centre-related matters.

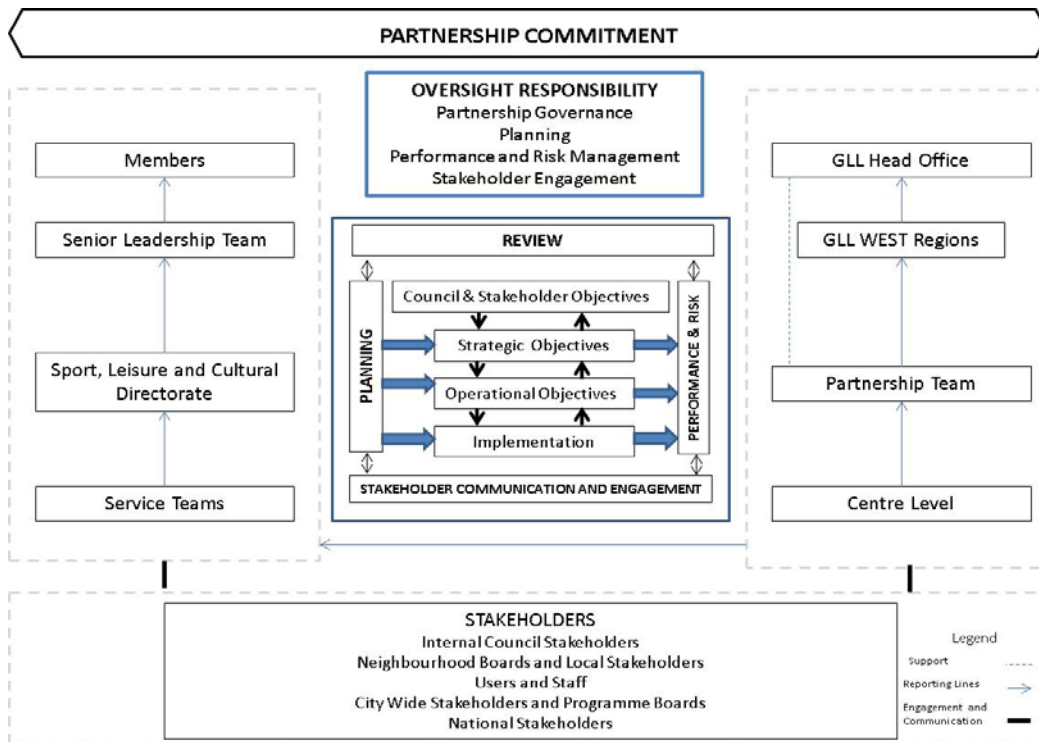
94. An Advisory Committee will be set up with key users and stakeholders who will focus on service review and trend analysis.

95. A Project Liaison Group will also be set up involving senior members of both the Council and the GLL. This group will discuss the service operation, contract variations and ways to develop the service. Feedback from the Advisory Committee will also be discussed when required.

96. GLL will work with partners to achieve a balanced programme which includes a fair proportion of block bookings, clubs, courses, school groups and pay and play usage. GLL will continue Service Level Agreements (SLAs) in place with regard to current school provision, in addition to using their dedicated Sports and Community Participation Team with the view to increase the number of school groups and swim initiatives.

97. GLL's partnership commitment is demonstrated in the diagram set out below:





Funding

95. GLL Sport Foundation will provide vital funding and support sports development pathways, work with national funders such as Sport Wales and will levy funds to roll out services on a wider scale. The Active Communities Team and Health Programme Co-ordinators will proactively engage with local networks, partnerships and communities to identify need and link them to local or national funding streams.

Programming

96. GLL aims to increase participation and provide added value through community events/open days, free taster sessions, and provide subsidised Healthy Living memberships (see Appendix 4 – Business Case re: activity programme for each facility). GLL will work with partners to achieve a balanced programme which includes a fair proportion of block bookings, clubs, courses, school groups and pay and play usage. GLL will continue SLA’s in place with regards to current school provision, in addition to using their dedicated Sports and Community Participation Team with the view to increase the number of school groups and swim initiatives.

Future Considerations

97. There is a balance between casual bookings, pay and play activities, programmed courses, club use, school use and events. GLL believes strongly in widening access and engaging the community into positive activities and do this through targeted programming. This will particularly help with achieving Cardiff’s Physical Activity Strategy of increasing participation by 5% by 2017.

98. If any changes occurred to the current Free Swimming funding GLL operates a number of Free Swimming Initiatives (33 across our portfolio)

and have experience with being involved with funding changes. In addition, we also operate our 'Kids for a Quid' scheme (provides swimming for juniors for £1 at specified times) across a range of partnerships (33) which can be used to compliment or replace the Free Swimming Initiative.

### Opening Hours

95. GLL will review the opening hours in accordance with their business plan but any alterations will require Council agreement.
96. Majority of activity bookings will be made online as well as a Customer service and Online Services Team being in place which will result in less strain on the front line service and opening hours of the centres.
97. GLL is leading the way in online booking, payment, and kiosk capability. Linked to our Legend membership management system. The online web portal is accessed directly from the GLL website. The website contains reciprocal links to partner web pages to further emphasise working partnerships and cross sharing of information.
98. Pre-paid memberships and activities are available to purchase online 24/7, 365 days a year (35% of members join online)
99. GLL has piloted extended opening hours and will do so for Cardiff if community demand was prevalent. Peak and off peak times will be introduced to attract new users who previously couldn't afford to use the service during this time.

### Community Benefits

100. GLL has linked the proposed community benefits plan to the objectives below along to support community engagement include:
  - Working in partnership with key stakeholders to support, facilitate and deliver sport and physical activity within leisure centres aiming to increase participation every year for all target groups.
  - Using an effective approach to community development to engage with the local community and in particular hard to reach groups (e.g. through a dedicated Community Sports Officer).
  - Develop, promote and deliver engaging and inspirational participation programmes, campaigns and events for all.
  - Develop and deliver targeted interventions and activities that maximise the wider benefits of sport and physical activity.
  - Develop inclusive sporting pathways from grass roots to excellence.
  - Targeted, accessible and innovative marketing reflecting the changing needs of today's customers helping to exceed participation targets.
  - Balanced programming and marketing addressing needs relevant to local demographics.
  - Exploring new ways to market to key target groups in a socially inclusive manner to grow participation (e.g. women, 55+, disabled disadvantaged groups, young people).

- Regular community and customer engagement – ensuring that we deliver what the customer really wants – this helps increase participation.

### Pricing and Membership

101. GLL's proposed membership architecture is adaptable, innovative and is based on a proven winning strategy (introduced to over 30 partnerships) that is recognised as market leading within the industry
102. GLL has developed Cardiff's membership model and pricing proposals taking into account local demographic wider economic climate and benchmarking costs against neighbouring districts. Utilising the models below will increase participation, increase casual users, increase peak and off peak usage, help target disadvantaged and vulnerable groups and achieve the Councils financial objectives.

There will be 4 main types of membership introduced:

- UK based Membership
  - Cardiff City based Membership
  - Centre based Membership (non differential pricing)
  - Activity based Membership
103. There will be no contract for new members; this effectively means everyone is non committed. There will be a ring fence for all pre-paid members on committed memberships (Active, Aqua, Max) and they will be able to renew at this pricing level for one cycle. Joining fees will also be introduced which can then be used as promotional discount tool.
  104. With the following discounts calculated and set as a percentage from the peak adult non-member price where possible:
  105. Concessionary pricing is based at off peak times as GLL believes that the bulk of the users who participate in centre activities do so at off peak times. In addition, this helps to increase usage during off peak times.
  106. GLL proposes a review of pay and play prices based on level of demand and capital developments in place in accordance with their business plan.

### Catering and Vending

107. GLL will refurbish the cafes in Pentwyn and Llanishen Leisure Centres. The cafes in Western and Fairwater Leisure Centres will be replaced with comprehensive vending offers. GLL will ensure that all cafes will achieve, as a minimum, the Bronze Healthy Options Award and Food Hygiene Rating of 3 and strive to achieve a rating of 5.

### Managing People and Change

108. GLL has successfully managed a range of partnerships involving employees on different terms and conditions. GLL's terms and conditions are in the top quartile for the industry.

109. GLL can confirm that it will work to the Code of Practice on Workforce Matters (2014) as required by the Council. However, as discussed and agreed during dialogue, they will need to modernise the delivery approach at the leisure centres going forward to reflect a modern and competitive public service. Any future changes will be made in line with the Workforce Code.
110. Employees can also take advantage of the wide range of society benefits on offer and unbeatable offers and discounts. These include:
- Healthcare Plan
  - Employee Assistance Programme
  - GLL Holiday Villas / Apartments
  - Travel, household and motor insurance
  - Merlin Entertainment discounts
  - Mobile phone
  - Spa Experience – By Better
  - Café discounts
  - Travel loans
  - Car loans
  - Laptops/IT (job specific)
  - Occupational health
111. GLL will apply for admitted body status into the Local Government Pension Scheme (LGPS) in line with the contract. GLL has costed for an open scheme for all eligible employees in line with the Council's requirements.
112. In line with the legislation requirements, employees not in the LGPS as outlined by the Council will be automatically enrolled in GLL's Defined Contribution Scheme (DCS), which is operated by Friends Life:
- Formerly known as Friends Provident
  - FTSE 100 Company and strong brand
  - 5<sup>th</sup> largest UK pensions and life provider
  - £111 billion assets under management
  - Able to provide coherent single pension
  - Proven administration platform
113. GLL accepts TUPE applies to this contract and employee's contractual terms and conditions will be protected. They are experienced in all aspects of TUPE transfer and will undertake this in a sensitive manner which is effective and efficient for everyone involved.
114. Group and individual consultation will take place in advance of any transfer. These meetings help employees ask questions about the company and understand the context of GLL's business.
115. During the transfer, GLL will hold regular Mobilisation Meetings to ensure everything is on track and identify any potential risks to the process. On concluding negotiations, GLL will write to all employees with a welcome letter providing full details of the transfer arrangements.

116. Post-transfer, GLL will complete inductions which will help employees adjust and settle in. The induction process enables new/transferring employees to learn about GLL, understand the requirements of their role and address any initial development needs that they may have.

### Data Protection

117. GLL operates the highest standards of data protection/safeguarding when handling data for customers and employees. GLL is a registered body under the Data Protection Act (reg: Z5607003) to process personal data and has a Data Protection Policy in place.

### Managing Facilities

118. Facilities management will be conducted in house and work will be carried out in accordance with appropriate British Standards and Approved Codes of Practice. GLL will be responsible for the maintenance of the facilities (apart from the roof and structure which remains the responsibility of the Council).
119. A robust maintenance schedule will be developed and followed and strategic support will be provided from GLL's experienced central support team.

### Option 2 – Strengths:

- GLL has extensive Local Government experience within the senior management team and a proven track record with the current operation of 200 leisure facilities for 45 partners
- GLL has a robust governance structure and a commitment to partnership working
- The partnership will allow the opportunity to access funding sources not currently accessible by the Council
- GLL has an established online bookings system and online customer services team
- The partnership will deliver £31.9million of revenue savings within a contractual arrangement over the following 15 years due to the current £2.5million subsidy being reduced to zero by 2020. Only a small client budget will need to be maintained.
- Awarding the contract would give greater future certainty to the cost of leisure provision over the next 15 years with delivery of the specified services within a contractual framework.
- Risk of financial shortfall is borne by the partner organisation.
- Risks in relation to utilities, delivery of investment opportunities, achievement of income targets and maintenance of facilities (with the exception of structure and roofs) will be borne by the contractor.
- GLL has proposed a robust investment plan and GLL will provide significant investment into Cardiff's leisure facilities over the contract term.

- Investment in marketing and improving the facilities on offer is projected to increase attendance levels and reduce health inequalities across the City.
- GLL has committed to the achievement of QUEST, the leisure industry quality standard across the portfolio, which will improve the quality of facilities and services.

#### Option 2 – Weaknesses:

- The Council's elected members and managers will no longer have direct control over leisure services.
- The Council will not have operational control over the programming of activities in leisure centres, although they will be reviewed and agreed through the annual service plan.

#### **Preferred Option**

120. The preferred option is to establish a partnership with a private sector organisation (Option 2). This offers the following advantages:

- Award of a 15-year contract to GLL will provide the greatest financial savings over the life of the contract totalling £31.933million and enabling total recurring budget reduction of £2.463million.
- GLL will be contractually committed to the delivery of high quality leisure services within the financial parameters of their offered solution.
- The preferred option provides surety of future financial costs of leisure services and significantly reduced financial risk for the Council over the next 15 years with the risk of financial shortfall being borne by GLL.
- Financial risks in relation to utilities, delivery of investment opportunities, achievement of income targets and maintenance of facilities (with the exception of structure and roofs) will be borne by GLL.
- Awarding the contract would give greater future certainty to the delivery of the specified services within a contractual framework, protecting the ongoing operation of each facility and maintaining jobs.
- GLL has proposed a robust investment plan to provide significant investment into Cardiff's leisure facilities over the contract term.
- GLL has extensive local government experience within their senior management team, a proven track record of operating leisure facilities, a robust governance structure and a commitment to partnership working.
- GLL has committed to maintaining an open pension scheme for both transferring employees and new employees. It was recognised that this requirement would result in additional costs to the contract and therefore reduced savings. However GLL has achieved this requirement and also achieved the affordability targets set by the Council.
- GLL will be contractually committed to the achievement of QUEST, the leisure industry quality standard across the portfolio which will improve the quality of facilities and services.

## Recommended Partner

121. GLL is a national leading charitable social enterprise and the largest public sector leisure provider. Established in 1993, GLL's background stems from local authority leisure service delivery. GLL has built a reputation as the leading leisure provider. This reputation is built on the ability to deliver quality leisure services coupled with their fundamental social ethos principles.
122. GLL's understanding of operating in localised diverse communities, coupled with partnership links and knowledge of regional and national sport and leisure requirements, allows them to deliver services that they believe cannot be matched by their competitors.
123. Since 1993, GLL has invested millions of pounds directly in to the infrastructure of leisure services. This investment has seen significant improvements in the leisure stock operated alongside wide ranging social programmes that cut across the social agendas of their partners.

124. Key facts about GLL:

- Employs over 7,000 employees across 46 partnerships
- Manages over 220 leisure facilities, Children's Centres, Play Centres and Libraries
- Has 21 years of positive trading – 2014 turnover reached £163m
- Experienced, long term stable partner meeting social objectives
- Manage community venues through to Olympic venues (London Aquatics Centre, Copper Box Arena)
- Experienced in managing large, medium and small scale investments, refurbishments and new build projects
- Delivery of health intervention schemes across 21 partnerships
- National GLL Sport Foundation - the scheme has supported over 6,500 athletes, across 95 sports, with over £3.8million funding
- Multi-award winning – e.g. UK Active Flame Awards, Investors in People, Quest, Customer Service Excellence, Carbon Trust Standard, Big Society Award, Skills Active Employer of the Year Award.
- 100 apprenticeships progress through GLL's Leisure College each year



125. GLL's background stems from local authority leisure service delivery and they have built a reputation as the leading leisure provider. This reputation is built on the ability to deliver quality leisure services coupled with their fundamental social ethos principles. GLL's understanding of operating in localised diverse communities coupled with partnership links and knowledge of regional and national sport and leisure requirements allows

them to deliver services that they believe cannot be matched by their competitors. See below testimonials provided by other local authorities:

### Testimonials

- Royal Borough of Greenwich Contract 2012-2027
- Contract turnover £8mpa
- Management and development of 7 leisure centres, 1 boating centre, 5 adventure play centres and 2 building schools for the future for the Royal Borough of Greenwich

*“GLL have been a long standing partner in the Royal Borough of Greenwich, with over 20 years of partnership working. GLL were awarded a new 15-year partnership which commenced in January 2012 and sees them manage leisure centres, adventure play centres, a boating centre and libraries. 2014 has proved to be a successful year with the following key achievements:*

- *£1.5m capital programme delivered (projects at Waterfront, Coldharbour and Thamesmere)*
- *Increase in total attendances (total attendance of 1.56m from Jan 2014 – Sept 2014)*
- *Re-accreditation of Customer Service Excellence*
- *50% of all employees are Greenwich residents*
- *The Royal Greenwich team won the annual over-55s Better Club Games*
- *72 athletes supported through the Greenwich Starting Blocks scheme*

*GLL are making a real impact in the community and I am looking forward to their continued success and a long and successful partnership.”*

**Sue Kimmins, Leisure Contract Manager  
Royal Borough of Greenwich Council**

- London Borough of Camden, Contract 2005-2020
- Contract turnover £10.7mpa
- Scope Management and development of 5 leisure centres for the London Borough of Camden

*“GLL has run Camden Council’s Leisure Centres since 2005 when they won the contract by a competitive process. They have a 15-year contract until 2020. Since then they have proved to be a competent performer, increasing annual visits to our 4 leisure centres to over 2.3m. The addition of a fifth facility – Pancras Square Leisure – opened in July 2014 and GLL played a key preparatory role in readiness for opening. This included sourcing and installing fixtures and fittings and marketing the new offer. They performed similar roles for the opening of the new Swiss Cottage Leisure Centre and the fully refurbished Kentish Sports Centre. On all these occasions GLL ensured that the centres were fully operational from day 1. GLL and Camden have formed a successful partnership where the Council’s significant and sustained investment in leisure assets has been complemented by GLL’s stewardship achieving sustained growth to the point of paying Camden a significant annual income. Differences of*



*opinion between GLL and the Council, as both parties are passionate about the leisure services provided, are resolved in a reasonable and professional manner.”*

**Nigel Robinson, Head of Sport & Physical Activity  
Camden Council**

### **Reason for Recommendations**

126. To appoint a preferred bidder for the operation and management of the Council's leisure centres following a procurement process, whilst ensuring continued consultation with trade unions and affected staff.

### **Financial Implications**

127. The current base budget for Leisure Services in scope for the procurement for 2016/17 is £2.514M. The base budget reflects savings targets that were included in the budget setting process of £435k in 2015/16 and £850k in 2016/17 in relation to a new operating model for the service. The timeline for the procurement of a leisure partner has been delayed and as a result these savings have not been achieved. In recognition of the evolving timeline a revised affordability target was set by the Council for the purposes of the procurement to provide a realistic target for evaluation purposes and with the aim of achieving the savings at a later date.
128. The revised affordability targets set by the Council were reflected in the evaluation criteria set for the evaluation of final tenders and communicated to bidders. The evaluation was based on a financial model that assumes a contract start date of 1<sup>st</sup> November 2016 and therefore includes a 5-month period for 2016/17. The affordability target for 2016/17 was set as £750,000, with nil subsidy to be reached by financial year 2019/20 and maintained for the life of the contract. Bidders were informed that due to the financial pressures the Council would be unlikely to award a contract where the cost of the solution did not fall within the affordability envelope.
129. The outcome of the evaluation process of Final Tenders identified the preferred bidder that provided the Most Economically Advantageous Tender (MEAT) for the Council as GLL. The preferred bid was successful in meeting the revised affordability targets set by the Council.
130. Following the identification of the preferred bid the Enhanced In House Model was used as a comparator and a full financial comparison was undertaken. Further details of the financial comparison can be found in the Financial Summary, which is attached as **Appendix 6 (Exempt)** to this report.
131. The Financial Summary shows a comparison of the preferred bid and the Enhanced In-House Model and illustrates the impact of each option against the current budget for leisure services within scope.
132. The costs of the Enhanced In House model shown in the Financial Summary do not include the current cost of central support services that may be recharged from the Council as those services are not included in the current budget allocated for leisure services. The preferred bid will

include indirect costs of a central support service nature as well as the direct cost of providing leisure services. This method allows a clear view of the impact on the current budget for leisure services for each option. It should be noted that any changes to the demands placed on support services that arise as a result of a contract being awarded will be managed by those individual support services as they respond to future demands and constraints, and considered as part of their own directorate budget proposals.

133. The preferred bidder, GLL, is a not for profit organisation and is therefore able to take advantage of significant savings through NNDR relief under the Local Government Finance Act 1988. These savings have been included within the preferred bid and have contributed to GLL's ability to reduce the cost to the Council. The Enhanced In House Model will remain as a Council run service and is therefore not able to take advantage of any NNDR relief. This position is reflected within the Financial Summary.

#### Preferred Bid

134. The total costs of the service from 1<sup>st</sup> November 2016 to the end of the contract period projected in the event of awarding a contract to the preferred bidder is £6.842M. This includes a final tender cost of £4.725M plus associated client function costs of £2.116M. Based on the current base budget for those services in scope, this would achieve total savings of £31.933M over 15 years and a recurring budget reduction of £2.463M to be achieved by 2019/20.
135. The preferred bidder proposes to provide significant investment into Cardiff's leisure facilities over the contract term. There is some financial responsibility and risk that will be retained by the Council in the event of awarding this contract and where possible specialist advice has been sought and costs have been included within the financial comparison. The most significant areas of risk being maintained include the maintenance responsibility for structures and roofs of the facilities, and the risk of changes to the pension contribution rates. However, the awarding of a contract would give greater future certainty to the cost of leisure provision in Cardiff under a contractual agreement with risks in relation to utilities, delivery of investment opportunities, achievement of income targets and maintenance of facilities (excluding structure and roofs) being borne by the contractor.

#### Enhanced In House Model

136. The total cost of the service from 1<sup>st</sup> April 2016 to the end of the contract period projected in the event of the implementation of the Enhanced In House Model is £8.913M. This includes the cost of the Enhanced In House Model totalling £8.359M plus associated retained maintenance costs of £0.554 M. Based on the current base budget for services in-scope this would achieve total savings of £29.862M over 15 years and a recurring budget reduction of £2.383M to be achieved by 2031/32.

137. The Enhanced In House Model assumes capital investment of £3.5M to be made across the leisure portfolio to be funded through prudential borrowing with borrowing costs being built into the financial model.
138. The Enhanced In House Model has been reviewed by an internal challenge team that raised significant financial risk around deliverability. Whilst it was recognised that the In House operation has a proven record of reducing the subsidy year on year with significant achievements being made in generating new income and reducing costs, it was also noted that this has been particularly challenging in 2015/16. Specific concerns were raised around the calculation of increased membership revenue, the realisation of swimming income, the lack of any advertising and marketing costs and the options chosen for investment. Furthermore, the review highlighted that timescales involved in changing employee roles may cause delays to the achievement of savings and concerns were also raised over the capacity of the In House team to deliver such significant change at the rapid pace required.
139. It should be noted that the figures for the Enhanced In House Model included in the Financial Summary at Appendix 6 (Exempt) have not been adjusted to reflect the risks highlighted above.

### Summary

140. In conclusion, the award of a 15-year contract to the preferred bidder will provide the greatest financial savings over the life of the contract totalling £31.933M enabling total recurring budget reductions of £2.463M, surety of future financial costs of leisure services and significantly reduced financial risk for the Council over the next 15 years. If a contract is not awarded and the operation of leisure services is retained in-house through the Enhanced In House Model, there will be no transfer of financial risk away from the Council and in the event that the financial targets are not achieved then any deficit will need to be borne by the Council.
141. The 2015/16 and 2016/17 Budget Reports highlighted the extreme financial challenge that the Council has faced in recent years and the materiality of the service choices faced as a result. It is recognised that as the Council seeks to realign itself to a lower, financially sustainable base, the nature of savings has shifted, and alternative delivery models now form a key component of the medium term financial plan. As such, work to drive alternative delivery models to their conclusion based on robust decisions and to implement without delay is key to the Council's ongoing financial resilience. Moving forward, keen regard will need to be given to the consequential impact of alternative delivery models on the Council's business including the changing nature of the workforce and income streams that will no longer be the direct control of the Council.
142. The Council's Investment Review Board met on 20 July 2016 to review the Business Case and to understand the differences in risk profile between the submissions from the preferred bidder and the Enhanced In House solution. Due consideration was given to the points discussed and approval was then given to the recommendation made in the Leisure ADM Business Case.

## Legal Implications

143. The proposed recommendation is to award the Leisure Operating contract. These legal implications deal with the key points of the procurement process and form of contract in respect of the recommendation.

## Procurement Process

144. Given the date the Procurement commenced (the Contract Notice for this procurement was published 24.10.14), the relevant procurement regulations are the Public Contract Regulations 2006, as amended, (“the 2006 Regulations”).
145. Previous legal advice was given to the effect that the services being procured fell within, what is referred to as, Part B services in the 2006 Regulations (and thus are not subject to the full ambit of the 2006 Regulations”) and or could be viewed as a service concession contract that fell outside of the scope of the 2006 Regulations. This is, however, a substantial procurement; the proposed contract is of significant value and for a proposed term of 15 years. To that end and in order to comply with the EU Treaty based principles of transparency, equal treatment, non-discrimination, and proportionality (such principles applying to Part B services) it was recommended that a contract notice be advertised in the OJEU, that the procurement process be carried out in an open and transparent manner and that all bidders be treated equally.
146. Of importance in this case is that (i) the Council elected to follow the competitive dialogue process and (ii) in carrying out the procurement it is obliged to comply with ‘general principles’ of; equal treatment, transparency, proportionality, mutual recognition and non-discrimination.
147. Detailed legal advice has been provided to the Project Team and legal implications included in the various officer decision reports throughout the procurement process at each key stage.
148. In line with good practice, if the recommendation is approved, then it is proposed that the successful and unsuccessful bidder will be notified of the outcome of the evaluation along with their scores, the winning score and feedback from the evaluation panel. The decision to award the contract, if given, will be subject to the Council’s “call-in” period together with a voluntary standstill period. Accordingly, the letters to be sent to the bidders notifying them of the outcome of the procurement will be made strictly subject to the Council’s call-in period and the voluntary standstill period. What this means is that the contracts cannot be formally concluded until the call-in period and the standstill period have expired.
149. With all major projects, there is always a potential risk of challenge. In addition to the standstill and call in period referred to above, given the scale and nature of the project and the significance of the decision being sought it is suggested that a minimum 30-day period is applied between the date the decision is made and the date any contract is formally entered into. As detailed within the report, final tenders have been received and

evaluated. Following that evaluation, a Preferred Bidder has been identified. Part of the evaluation comprised the legal evaluation which was completed and approved by the in-house legal team.

150. In determining whether to appoint the Preferred Bidder the Council should satisfy itself that the solution offered by the Preferred Bidder represents a competitive offering and value for money. The body of the report and appendices, including the financial Business Case, address these matters and highlights how the procurement process followed was designed to maintain competitive tension throughout so as to secure competitive bids that met the Council's requirements.

#### Form of Contract

151. It is important that the decision maker and project team are content with the form of contract. The draft contract is based on the Leisure Operating Contract issued by Sport England, version 8 May 2013 (as amended by the Council) which is an industry standard form of contract.
152. The contract is intended for use by authorities who have existing facilities which they would like to be operated and maintained (including minor refurbishment). The Sport England form of contract is an industry standard and is generally accepted by the leisure market. Accordingly, there have been minimum amendments made to the standard form.
153. The contract extends to some 350 pages and as such is not practicable to explain each of the contractual provisions in this advice. Some of the key provisions are as follows:
  - i) The proposed contract is for a term of 15 years with no option to extend;
  - ii) The contract is designed to govern the relationship between the Council and the Contractor with regards to operation and maintenance of the leisure Facilities;
  - iii) The contract sets out what happens in the event of default by the Contractor, how disputes are to be resolved and what "events" enable the Council to withhold/set off payments and ultimately terminate the contract;
  - iv) The contract sets out payment obligations of the Council;
  - v) The contract also deals with what happens to the Facilities upon early termination or expiry of the contract and consequences of such termination;
  - vi) Change in law – the contract contains provisions to deal with changes in law and who bears any consequential costs that flow. In certain circumstances this may be the Council;
  - vii) Variation – the contract provides for an annual payment; such price/payment is based on the Council's requirements. Whilst the contract enables the Council to vary its requirements (variations), should the Council change its requirements, then it is important to note that the contract price (cost) may alter;
  - viii) The Council is responsible for repairs of the structure of the Leisure centres – see Business Case for further details;

- ix) The Council requires an open pension scheme and the contract provides for this, further the risk on any increases in contribution rates, throughout the contract sits with the Council. For further details, please see Business Case;
- x) Throughout the contract there are various industry standard provisions included dealing with events which might occur during the period of the contract which might impact on the cost and provision of the service;
- xi) Caps on liability – the contract contains caps on the Council's liability which serve to restrict the Council's liability in respect of certain specified matters only. These are detailed in the Business Case;
- xii) The contract contains a dispute resolution procedure allowing for consultation between the Council and the Contractor, then adjudication and finally recourse to the courts in order to resolve a dispute.

154. The Council has looked to maximise value for money throughout the procurement by ensuring that risks are allocated to the party (the Contractor or the Council) best able to manage the risk. The Contract reflects this approach. Further details on the terms and conditions of the contract are set out in the Business Case.

#### Consultation

155. It should be noted that the carrying out of consultation with the public and any interested party, gives rise to a legitimate expectation that the consultation exercise will be carried out properly; in particular, that the outcome of the consultation will be considered.

#### Powers and duties

156. The Council has a duty to seek to continually improve in the exercise of its functions (which includes where appropriate powers) in terms of inter alia strategic effectiveness, service quality and availability, sustainability, efficiency and innovation pursuant to the Local Government (Wales) Measure 2009. The proposed contract contains an obligation on the Contractor to make arrangements to secure continuous improvement.

#### Employment law matters

157. Please see HR implications for further details.

#### Equality Impact Assessment

158. In considering this matter the decision maker must have regard to the Council's duties under the Equality Act 2010. Pursuant to these legal duties Councils must, in making decisions, have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: (a) Age, (b) Gender reassignment (c) Sex (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation (l) Religion or belief – including lack of belief.

159. The report identifies that an Equality Impact Assessment (“EIA”) has been carried out, which EIA has been updated as the project has progressed. The EIA is attached as Appendix 2 to this report. The purpose of the Equality Impact Assessment is to ensure that the Council has understood the potential impacts of the proposal in terms of equality so that it can ensure that it is making proportionate and rational decisions having due regard to its public sector equality duty. The decision maker must have due regard to the Equality Impact Assessment in making its decision and the assessment should be regularly updated as the procurement progresses.

### **HR Implications**

160. As stated in the body of the report there are 171 FTE employees affected by this decision. The effect on employees has been discussed in detail with the proposed preferred bidder as part of the competitive dialogue process. It has been made clear that as part of any transfer employment legislation is to be followed especially the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). Also bidders were informed that they will have to abide by the Code of Practice on Workforce Matters which applies in Wales.
161. As part of the competitive dialogue process, there were detailed discussions regarding the Local Government Pension Scheme both for transferred employees and new employees, and the preferred bidder has applied this scheme to both groups of employees.
162. As part of the evaluation process, under Workforce Management, the preferred bidder carried out the requirements including those listed below to an excellent level:
- a management structure for managing this contract;
  - a structure for managing and operating each facility;
  - roles and responsibilities within their structure;
  - methodology for improving employee satisfaction;
  - proposals to maximise the promotion of equality and diversity and also social, health and economic well-being of communities;
  - proposed employee training and development policy;
  - policies including violence at work, grievance and whistleblowing;
  - communication and engagement strategy for engaging with employees in the mobilisation period and implementation of their transition plan including the requirements under TUPE; and,
  - methodology for meeting the requirements of the Welsh Authorities Employee Transfers (Direction) 2012 and the Code of Practice on Workforce Matters 2014.
163. There have been initial briefing sessions with both Trade Unions and affected employees on the information included within this report. There will be more detailed consultation following the decision of this report.

164. Within the body of this report, there are details regarding the Client function which will remain within the Council. The implementation of this section will follow the corporately agreed processes for job evaluation and recruitment and selection of employees.

## **RECOMMENDATIONS**

Cabinet is recommended to:

1. approve the appointment of Greenwich Leisure Limited (GLL) as the Preferred Bidder for the operation and management of the Leisure Facilities referred to in the report, while ensuring that the Council retains ownership of the facilities;
2. approve that authority be delegated to the Director of City Operations, in consultation with the Cabinet Member for Community Development, Co-operatives and Social Enterprise, the Section 151 Officer and the Monitoring Officer, to finalise the procurement to contract close (including conclusion of the proposed Leisure Operating contract with Greenwich Leisure Limited (GLL) in respect of Eastern Leisure Centre, Fairwater Leisure Centre, Llanishen Leisure Centre, Maindy Centre, Pentwyn Leisure Centre, STAR Centre (Splott), Western Leisure Centre and Penylan Library & Community Centre and to deal with any ancillary documentation and matters);
3. note the decision to remove the Channel View Centre from the Council's wider procurement process due to its improved financial performance and strategic access to the waterfront in Cardiff Bay which is being developed as part of a new Cardiff Bay masterplan (see paragraph 42); and
4. agree to continue ongoing discussions with the Trade Unions and consultation with employees, in accordance with the requirements of TUPE legislation, up to and beyond the date of transfer.

### **ANDREW GREGORY**

Director

26 July 2016

*The following appendices are attached:*

Appendix 1 – Cabinet Report (15 May 2014): Management of Leisure Centres & Arts Venues

Appendix 2 – Equality Impact Assessment

Appendix 3 – Letter from the Chair of the Economy & Culture Scrutiny Committee

*Appendices 4, 5 and 6 (as identified above) contain information which are exempt from publication under paragraph 14 (information relating to financial or business affairs) of Schedule 12A Part 4 and paragraph 21 (public interest test) of Schedule 12A Part 5 of the Local Government Act 1972 (as amended). It is viewed in the public interest to treat the documents referred to above as exempt from publication. Put simply, the rationale for this is that in order for the Council to*



*be able to effectively evaluate tenders received it requires bidders to provide details of the commercial make up of their bid which they may not do so if they thought such information would be made publicly available. The adverse impact on the procurement process due to such disclosure would result in a less effective use of public money. Therefore, on balance, it is submitted that the public interest in maintaining exemption outweighs the public interest in disclosure. That said redacted versions of key documents will be made available, if requested.*

Appendix 4 – Exempt Unredacted Business Case (Exempt from publication)

Appendix 5 – Exempt Evaluation Report (Exempt from publication) and tender documentation submitted by bidders

Appendix 6 – Exempt Financial Summary (Exempt from publication)

*The following background papers have also been taken into account:*

Cabinet Report (15 May 2014): Establishing a Programme of Organisational Change for the City of Cardiff Council

Cabinet Report (19 March 2015): Cardiff International Sports Stadium

Wales Audit Office (December 2015): Delivering with Less – Leisure Services

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**



**CABINET MEETING: 15 MAY 2014**

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**MANAGEMENT OF LEISURE CENTRES AND ARTS VENUES**

**REPORT OF THE DIRECTOR OF SPORT, LEISURE AND  
CULTURE**

**AGENDA ITEM: 6**

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**PORTFOLIO: COMMUNITY DEVELOPMENT, CO-OPERATIVES AND  
SOCIAL ENTERPRISE**

**Reason for this Report**

1. To outline future management options for the Council's leisure centres, the New Theatre and St David's Hall, and to seek approval to commence the process of procuring one or more management partner organisations.

**Background**

2. This report provides detail on the management options for the Council's leisure centres, St David's Hall and New Theatre, following work of Max Associates carried out for the authority. The benefits of key options are considered, along with the likely financial impact, which followed detailed analysis of the current performance, through comparing with other areas UK-wide and through soft market testing.
3. This report seeks Cabinet decisions relating to the procurement of a management partner/new operating model, to be determined through the production and issuing of detailed performance specifications for the leisure centres and the two arts venues. The Cabinet is invited to agree to the issuing of Prior Information Notices (PINs) with a view to two separate procurement processes being run: one for leisure centres and one for the arts venues. This report invites Cabinet to approve that an engagement and consultation exercise is carried out with staff, Trade Unions and key stakeholders on the proposals; and that operating partners are sought that would give the greatest financial surety for the Council; maximise savings and reduce overall service deficits, and entail minimal residual risk for the authority, whilst meeting social objectives sought by the Council. This process will invite fresh and innovative ideas for the management of the facilities, potentially with view to enhancing the offer for Cardiff residents and visitors.

## Issues

4. The Council's leisure centres provide a significant and highly valued role in the health and wellbeing of residents throughout the city, generating 2.2 million attendances in 2013/14. The Council's leisure facilities play an important strategic role in delivering on corporate health and wellbeing objectives, and in particular participation in sport and physical activity. The performance of the leisure centres is variable, with a wide range of attendance and subsidy levels across the portfolio. For instance, in 2012/13, Llanishen Leisure Centre achieved 471,684 attendances at a net subsidy level of £601,024 and a subsidy per user of £1.27; Western Leisure Centre attracted 261,949 attendances at a net subsidy of £588,892 and a subsidy per user of £2.25, and Channel View Centre attracted 85,701 attendances at a net subsidy of £354,869 and a subsidy per user of £4.14. St David's Hall and New Theatre generate more than 400,000 attendances across a broad range of shows, programmes and workshops, and generate £38 million of economic benefit for the city each year. Together, the arts and leisure venues contribute greatly to the cultural richness of the city and its national and international reputation as a great place to live and work. Also, through their varied and diverse programmes offered, they contribute significantly to the Council's three aims of economic development, education and skills, and supporting vulnerable communities. However, with the financial pressures, it is only right that the Council explores whether alternative management models would both provide desired outcomes for the city and its residents and also achieve financial savings. The provision of Leisure and Cultural facilities and services is a permissive and discretionary power of local authorities and will always be likely to be placed under scrutiny for financial savings. In the financial year 2014/15, there is a saving of £650K to be made against the two cultural venues, including an element in the region of £300K to be found through alternative management arrangements.
5. Certainly, over the past 15 years or so across the UK, there has been a strong movement towards local authorities partnering with other organisations in the management of their leisure and cultural facilities. Cardiff has stayed outside this movement, keeping its facilities in-house. Across the UK, only 28% of leisure centres and swimming pools are now managed in-house, with the majority being managed by Trusts, private sector contractors or by the education sector. Wales has not moved with the same speed as England in partnering on facility management. However, Torfaen has established a Trust for the management of its facilities, Newport is working on the establishment of one also. Bridgend has secured the services of GLL (a social enterprise) and HALO to manage its leisure centres, and Parkwood (a management contractor) manages the leisure facilities in Vale of Glamorgan.
6. The projected financial position (both revenue and capital) for the Sport, Leisure and Culture Directorate and the estimated savings requirement arising from the Council's medium term financial outlook has necessitated work being carried out in recent months on the development of alternative management options for the services. The Economy and

Culture Scrutiny Committee established a Task and Finish Group to consider in detail the options available to the Council and to help shape the thinking of the Council. A summary of the views from the Task and Finish Group can be seen in Appendix 2 of this report.

7. The Council appointed Max Associates to work alongside staff in the Sport, Leisure and Culture Directorate for three months in early 2014 to provide practical information and data that would enable the authority to determine the best delivery model for the leisure and arts facilities. Max Associates are highly regarded within the leisure business with a depth of knowledge of the leisure market. The company analysed each budget line for the facilities, considered local markets and compared the financial and usage performance with national data sets. The aim was for Max Associates to give its recommendation on the delivery models that would work best for Cardiff (whether they be establishment of a trust, use of an established trust or management contractor, or remain 'in-house') and inform the authority of the implications of them. In its work, Max Associates was to liaise with management contractors and trusts to ensure that the Authority was given the most accurate and up to date assessment. Max Associates has carried out similar work with Islington, Waltham Forest, Charnwood, Guildford, Haringey, Southampton, Enfield, Hounslow, East Hertfordshire and South Oxfordshire. A summary of the findings and recommendations of Max Associates is presented in Appendix 1.

### **Facilities In Scope**

8. The two arts venues are St David`s Hall (the national Concert Hall for Wales and the National Conference Centre) which accommodates 1,960 people for classical concerts, and events of national and international significance, such as the Cardiff Singer of the World; and New Theatre (the Edwardian lyric-style theatre of 1091 seats) providing a wide artistic programme of live performances, ranging from large scale drama, musicals, dance, children`s shows, pantomime, tours, collaborations, and educational workshops.
9. The Leisure Centres 'in scope' for the Max Associates work were Llanishen Leisure Centre, Eastern Leisure Centre, Fairwater Leisure Centre, Western Leisure Centre, Pentwyn Leisure Centre, Maindy Centre, Channel View Centre and Cardiff International Sports Stadium. The Splott Hub was also considered, although the overall management of that facility has yet to be determined. Although not included within the scope for the Max Associates work, the level of interest in managing other sports and leisure venues is explored if the authority goes to the market.
10. The International Pool, which is operated on behalf of the Council by Parkwood Leisure on contract until 2017, is outside the scope of this work. However, the pool may revert to the Council in 2017, hence the opportunity exists to specify that the International Pool could be added to an operator`s portfolio at that time. It is worth noting that currently, it is believed that there may be possibilities to discuss with Greenbank Ltd

the prospect of having an integrated management solution for the new Ice Arena opening in 2015 and the Snow Dome anticipated for 2017 at the International Sports Village, which could include the International Pool (and potentially the International White Water Centre) in due course. However, for the purposes of the proposed procurement for a contractor for the management of leisure centres, the pool and the other facilities at the International Sports Village are excluded from the initial scope, although the procurement should facilitate inclusion at a later date.

## **Wider Exploration and the Financial Position**

11. Over the past few years, there has been a significant amount of work to improve the income streams generated by the Council's leisure centres and arts venues. This has proved successful, however all the venues operate at subsidy from the Council. The subsidies provided by the Council for the operation of the facilities amounted in 2013/14 to £8.062 million. The total gross costs of operating the facilities amounts to £24.163 million, which includes £2.590 million Facility Management costs (including building maintenance, utility costs and NNDR), £138K insurance and £6.9K Central Transport costs. The value of corporate support staff from HR, Legal, ICT, Finance, Procurement, Health and Safety and Welsh Language and internal Sport, Leisure and Culture Directorate support costs totalled £1.002 million for leisure centres and £305K for arts venues.
12. Although increased income generation targets and cost reduction across these facilities is a priority for 2014/15, the envisaged operating deficits will still be substantial. The indicative budget for leisure centres for 2014/15 predicts a net total subsidy of £4.275 million. The gross spend amounts to £10.584 million, which includes £1.67 million Facilities Management, utility costs and NNDR, and £961K corporate and internal Sport, Leisure and Culture Directorate support costs. The two arts venues will be operated in 2014/15 at a net total subsidy of £2.074 million. The gross spend amounts to £10.080 million, to include £674K FM and utility costs and £284K corporate and internal Sport, Leisure and Culture Directorate support costs. However, it should be noted that these figures include the £650K overall saving envisaged for the arts venues across 2014/15, of which approximately £300K would come from alternative management.
13. Hence, the indicative budget across the leisure centres and arts venues for 2014/15 show a total net subsidy of £6.348 million. The gross budget of £20.633 million includes £2.438 million 'Facilities Management' to include utility costs and NNDR, and £1.245 million corporate and internal Sport, Leisure and Culture Directorate service support costs.
14. Much work has been carried out by officers in visiting other venues under a range of management operations and discussions with national and local organisations with expertise in alternative delivery methods in order to learn from elsewhere. Consistently, service management is seeking to find the best 'in-house' operation for the facilities. This work includes challenging on a regular basis current staffing, programming and pricing

levels, and developing a business and performance management culture that identifies efficiencies and further income generation opportunities. This piece of work will ensure that any facility that continues to be managed 'in-house' will achieve the optimum financial efficiency. However, it is clear that external management organisations are able to bring economies of scale to facilities, a new ethos of management that may otherwise take a long time to create, and reduced central and Directorate overheads.

## **Strategic Context**

15. The Corporate Plan 2014-2017 and the subsequent report from the Chief Executive outlining the future organisational direction of travel of the authority to include more commissioning of services and partnering for provision state the need to explore alternative delivery mechanisms for a range of Council services as a means to achieve both financial savings and enhanced services. The financial position for the Council is so challenging that financial efficiency will have to be a key over-riding factor in the future management of the leisure and arts services.
16. In determining the way forward, it is critical that the key outcomes sought are identified. Subject to Member decisions, the objectives could include the following, having regard to further considerations:
  - protecting the services for the medium to long term
  - maximising savings through income generation and cost reductions, to result in significant overall deficit reduction
  - ensuring the best deal for staff within the strategic context
  - ensuring that the user's voice will be heard in the operation of facilities.

## **Max Associates' Findings**

17. The key outcome of the Max Associates work is as follows:
18. The current financial performance of the leisure centres and arts venues is strong and they are highly valued by residents and visitors to the city. There has been a good level of capital investment into the facilities in recent years and significant strides made in income generation. However, subsidy levels for some of the leisure facilities are higher than national benchmarks and much higher than where a Council has secured a management partner. Against the Sport England and APSE averages for both in-house and commercial operators, Cardiff performs below the norm in cost recovery, income per visit, subsidy per user (although this is variable across the portfolio), staff costs and central costs. Comparators for the arts venues are more complex due to wide variety of programmes across the facilities UK-wide. However, areas for exploration for cost savings were identified in catering, the use of volunteers, cross-marketing, and the high cost of facilities management. For both the arts venues and the leisure centres, the cost of staffing was deemed to be high, although the primary reason for this is the necessary Council's single status agreement through which overtime and additional payments

enhancements are set. Although the study did not aim to look at building quality, Max Associates identified that the leisure facility stock had been improved significantly, but there were still areas where capital investment could be required, such as St David's Hall.

## Potential Models

19. There are three main options for the future management of the Council's leisure centres and arts venues:

a. In-House Operated Services

Delivered through direct management of facilities through frontline staff or a Direct Service Organisation. The council would retain full responsibility for all income risk and expenditure including staffing, utilities and repairs and maintenance costs. The Council would be responsible for all investment and replacement of equipment and facilities. The Council would maintain full control over all aspects of service delivery including pricing, programming and marketing. This is the current operation of Cardiff Council.

b. Locally Established Trust

The Trust could be established locally and be 'arms length', independent of the Council. Trusts are able to claim mandatory national non domestic rates (NNDR) relief and sometimes discretionary relief, depending on Council policy. Income on most sports activity is exempt from VAT, however VAT on corresponding expenditure is non recoverable.

c. Established Trust/Private Sector Partner

The services are defined within a specification and the responsibilities of each of the parties are defined within a contract. Specifications tend to be output based, with the contractor providing method statements which form part of the contract, detailing their approach to achieving the specification requirements. The contractor takes a prescribed level of risk. The contractor is usually provided a degree of flexibility in programming, pricing and marketing and is committed to meeting Council objectives, such as increasing participation, reducing subsidy or investing in facilities.

Some contractors will cost in premiums where they have to accept more risk than they are usually willing to take, so Councils are increasingly having to accept a shared risk position in, for example, utility tariffs, building structure (particularly for aging facilities), buildings insurance, pension contribution rates and changes in the law. Contractors are normally able to provide the Council with investment in facilities for either back log maintenance or facility developments which will increase income. There is potential to improve facilities without increasing revenue budgets. Private sector partners and Trusts are often able to provide a management structure that can lever in some of the NNDR/VAT benefits that traditional trusts can offer. Some of the

bigger Trusts may accept the risk of any loss of NNDR/VAT over the contract term.

20. Within the Established Trust/Private Sector Partner option, there is a variety of models; the key points of which Max Associates considered in the report. Many of the features as listed under the Established Trust/Private Sector Partner option above equally apply to Locally Established Trusts, such as operating to a specification. However, a key difference is that usually the procurement of an Established Trust/Private Sector Partner will involve contract price having been achieved through a competitive process.
21. There is a further option, which is the establishment of a mutual led by staff. It is possible that there could be some interest expressed from within the existing services, however a procurement process would give the opportunity for staff to come forward with their proposals in detail.
22. Throughout the UK, there has been a number of instances where contracting hasn't worked well. For example, Enfield Trust and its subsidiary East Herts Leisure Trust were liquidated in 2006, with the local authority subsequently procuring out to a new contractor; and Chiltern Leisure Trust which collapsed in 2000 with the Council meeting the Trust's debts of £1.2 million and transferring the contract to Wycombe Leisure and subsequently re-tendering. In Wales, the best known example is the demise of Clwyd Leisure Trust in Denbighshire.
23. Although the Audit Commission makes it clear that there are a number of advantages and disadvantages of each management option, from its own study it indicated that none of the options stands out in delivering 'the best overall value for money, or consistently results in more investment or higher levels of participation'. However, Max Associates considered how each management option was able to meet the Council's requirements (such as meeting the Council's overall objectives, reductions in central and Directorate costs, improvements in service quality and delivery, economies of scale in staffing, community involvement, financial stability and risk transfer).
24. It is clear from the Max Associates analysis that no single option offers the Council a panacea for all of the issues identified. However, in order to reduce the cost of leisure and cultural provision to the Council, alternative management options need to be considered. New models of service delivery may also enable improved services to be delivered, and a more commercial approach whilst preserving the importance of the delivery of high quality services, accessible to all, in order to support healthier lifestyles. On balance, therefore, partnering an external organisation with regard to managing leisure and cultural facilities is considered to be the preferred option.

#### **Level of Market Interest**

25. The soft market testing by Max Associates demonstrated that there is a great deal of market interest in the potential management of both the



leisure centres and the arts venues by specialist operators. Cardiff has internationally recognised leisure and cultural activity and is perceived to be a potential gateway for management organisations to access wider contracts in Wales. The view of Max Associates is that although some contractors and Trusts have experience and a desire to manage leisure centres and arts venues, there are some specialist organisations that it would be unwise to exclude from tendering through the contract being too broad for them. If this was the case, the Council could potentially lose out financially. Hence, the recommendation from Max Associates that there should be two separate procurement processes: one for the arts venues and one for the leisure centres.

## **Savings Benefits**

26. Clearly, the level of savings that the authority may make could only be determined on going out to the market. The level of savings possible will be determined by the extent to which contractors may see Cardiff as the chance to secure a strong foothold in Wales and therefore provide an exceptional deal, whether contractors believe that the Council has generated good levels of income already within its business model for its facilities, the extent of competition in the locality, and a host of other factors. However, the most important element that would determine the level of any savings possible would be the contents of the specification and how the market would respond to it. Certainly, the financial priorities for the Council would be key determinants in the process of evaluating and delivering the outcome.
27. However, on an indicative basis, Max Associates believe that across the leisure and arts portfolio it should be possible to secure annual savings that would be split fairly equally across increased income, reduction in central and Directorate costs and NNDR/VAT. It is recognised that the actual savings levels would only be known when the Council sets its parameters for the procurement and the market responds to the procurement process. Given the Council's financial challenges, the outcomes put in place would need to ensure that sufficient financial flexibility to make further savings and/or increased revenue generation remains across any contract period.

## **Priorities for the Council**

28. Should a procurement exercise be instigated, additional guidance and detailed specifications would have to be produced for the leisure centres and arts venues, to guide interested parties in submitting proposals. A key theme in the management of leisure centres elsewhere is the focus on healthy living, with the following elements generally sought in the procurement of a partner:
  - a. Healthy Living – ensuring that residents experience good health and live an active life
  - b. Children and Young People – ensuring that children and young people are healthy, safe and enjoy a range of activities

- c. Strong Communities – ensure that people engage with their communities and that the voluntary sector is strong and supported
  - d. Sustainable Facilities – ensure that appropriate investment is secured for the facilities that will enable the needs of the residents to be met and that energy efficiency and environmental sustainability is at the heart of the operation of the facilities
  - e. Cost Effective Delivery – enable maximum financial performance and long-term stability of the facilities, whilst supporting social outcomes.
29. For the arts venues, a similar approach would be taken to preparing guidance for interested parties. The authority may deem that similar focus should be sought as to the leisure centres, such as children and young people, strong communities, sustainable facilities and cost effective delivery, but that the outcomes from the arts venue management should include guidance on pricing, programme, community responsiveness, equity and operating times.
30. However, there are other matters that would affect the procurement of a management partner. It is proposed that subject to Members' decisions, the following principles should underpin any procurement. It should be appreciated that some of these principles will impact on the level of savings that could be achieved, and that the need to drive down or even eradicate the financial deficit should be a primary aim:
- a balance between financial surety, the meeting of social objectives and flexibility within the contract arrangements to reflect changing financial and other circumstances of the Council
  - the residual risk for the Council from any partnership should be reduced
  - reinvesting 'retained income' into the service
  - the Council should maintain some element of control over pricing and programme of the facilities
  - quality standards should underpin the choice of management partner
  - the Council and operator should liaise together on a regular basis
  - the local community should have an input into the operation of the facilities
  - the Unions should be fully consulted regarding any arrangements made taking into account the best interests of staff, within the strategic context.
31. Clearly, over the length of any contract, financial, social and political circumstances and priorities could change. Hence, it would be important that any agreement secured over the management of the leisure centres and arts venues allows for flexibility.

## **New Theatre**

32. Soft market testing has demonstrated interest in the management of New Theatre. Should firm proposals on the management and operation of the New Theatre emerge separate to any procurement exercise, then these would be reported to Cabinet.

## **St David's Hall**

33. Within the Corporate Plan 2014-2017, the Council pledges to explore the options for new concert hall space by 2017. The reason for this is primarily due to the age of the facility and that in forthcoming years there will be a need to inject capital into modernising the venue. One way in which a new hall could be achieved is through including within the specification for an arena/conference centre an additional hall suitable for symphonic performance. However, the likely cost of progressing with such a new hall as part of the arena/conference hall development may be prohibitive. Hence, it is recommended that a new management operator be sought for St. David's Hall for a reasonable contract length, through which the provision of capital investment could be explored.

## **The Procurement Process**

34. It is proposed that the Council issues PINs to the market to ascertain market interest, with view to two procurement processes being instigated; one for leisure centres and one for the arts venues. Max Associates will be retained to input into project management of the procurement process, working alongside Council officers in leisure, HR, legal, procurement and finance. The advisors will support the Council through the process of procuring a partner, assessing the various options available, and ensuring tender documentation and specifications meet the Council's requirements to deliver a service in accordance with its agreed strategies and priorities. The criteria through which the interested partner organisations would be assessed would also be developed in this way. It should be stressed that the in-house model should be the Council's 'default position'.
35. It is envisaged that the procurement process will enable a new management partner to be in place for the leisure centres by Summer 2015. It is recommended that in light of the financial savings target for the authority for 2014/15 against the two cultural venues, the arts venues procurement process is accelerated, ideally with view to the venues being under a new management operator prior to the end of the 2014/15 financial year, with the prospect of negotiating savings that would contribute towards this year's savings target.
36. In parallel to this work, officers will continue the process of developing the considerable pre-tender work required and undertake a consultation and engagement process with staff, trade unions and key stakeholders on the proposal to engage a partner organisation. A full consultation exercise with key stakeholders will be carried out on the proposal prior to seeking Cabinet approval of the preferred contractor.
37. A full equalities impact assessment will be carried out before that report to Cabinet, when officers will be in a better position to understand what the impact might be of any changes implemented. There is an underlying commitment that any procurement route ensures that the service remains inclusive. The Council's duties in terms of equalities will be considered at all stages in the process.

## **Public Consultation**

38. Consultation on the proposal for alternative management of the two arts venues was carried out in the budget setting process for 2014/15. However, additional focus group activity is being arranged to ascertain the priority outcomes that the public would desire from the future operation of the venues. Consultation on leisure centre outcomes sought will be 'wrapped up' as part of the wider Cardiff Debate.

## **Reasons for Recommendations**

39. Increasing financial pressures facing the Council over forthcoming years will put pressure on discretionary services. Hence, if leisure and arts provision is to continue, the most cost effective model of operation that secures the required social and strategic benefits for the city must be explored. In order to drive out savings as soon as possible and ensure that the best financial and social agreement is achieved for future years, it is recommended that the Council instigates appropriate procurement processes to approach the leisure management marketplace.

## **HR Implications**

40. Initial consultations are ongoing with Trade Unions and staff regarding the matters outlined in this report. Full and detailed consultations will continue with Trade Unions and staff throughout the procurement process and prior to any decision being finalized. Any advice provided from external HR resources will be tested by internal HR resources to ensure that it is in line with the overall people strategy for the Council. The HR implications and employment law issues will vary depending on the model of alternative delivery. However, the Council will comply with its obligations under statute and guidance with regards to Transfer of Undertakings (Protection of Employment) Regulations (TUPE) or any other employment matters which will apply.

## **Legal Implications**

### **Powers and Duties**

41. A local authority is empowered:
- to provide such recreational facilities in its area as it thinks fit under section 19 Local Authority (Miscellaneous Provisions) Act 1976
  - to do or arrange for doing anything necessary or expedient to the provision of entertainment, provision of a theatre, concert hall etc suitable for giving of entertainments under section 145 of the Local Government Act 1972.
42. The Council has a duty to seek to continually improve in the exercise of its functions (which includes where appropriate powers) in terms of inter alia strategic effectiveness, service quality and availability, sustainability, efficiency and innovation pursuant to the Local Government (Wales)

Measure 2009. The duty also includes setting annual objectives and making arrangements to secure those improvement objectives.

43. There are various other duties which may also be impacted by decisions in respect of the leisure services including the duty to have regard to the Health Social Care and Well-being Strategy when exercising their functions as required pursuant to the Welsh Regulations 2003.
44. The various potential impacts on the performance of these duties will need to be considered in the context of formulation of the procurement strategy if the recommendations are accepted.

#### Procurement Strategy

45. There are a number of different legal vehicles through which leisure, arts and cultural services can be delivered and each has its own benefits and disadvantages. As the report highlights, none of the options will necessarily stand out in delivering “the best overall value for money or consistently result in more investment or higher levels of participation”. Some anticipated benefits such as level of savings are not capable of being ascertained with any degree of certainty until fully tested whether through procurement or implementation.
46. Because of the reduced control over an external legal vehicle, such an arrangement is generally less flexible/adaptable to changes in requirement and/or funding because of the need by the external legal vehicle for a degree of certainty to deliver the anticipated benefits. If the recommendation is accepted, then it will be essential during the procurement to test the impact of retention of greater control on any savings offered whilst maintaining integrity of the procurement process.

#### Financial Implications

47. This report recommends that Members approve that the Council carries out a procurement process for the future management of the Council's leisure centres and cultural venues. Project resources will need to be put in place to support this procurement, including if necessary additional specialist advice in addition to the continued engagement of Max Associates. The budget for this procurement will need to be met from existing resources and if necessary will include a drawdown from the Organisational Development Earmarked Reserve which was set aside to enable technical, professional and specialist support for Council change programmes.
48. Max Associates were engaged to support the Council in the preparation of an options appraisal in respect of the Council's leisure centres and cultural venues. If Members approve the recommendation to carry out procurement, Max Associates have advised that they will support the Council through this process at a cost of £60,000.
49. Members are aware that the Council faces significant financial challenges ahead, firstly in the delivery of the savings identified in the 2014/15 Budget Report and secondly in the identification of further

savings to meet the base case Budget Reduction Requirement in 2015/16 of £31.3 million and £92.274 million over a 3 year period.

50. In respect of the 2014/15 budget savings, the report identifies that a sum of £300,000 was identified in respect of Cultural Venues as being achieved through a new management operator being secured for either St David's, New Theatre or both within the financial year. Given this constraint the report identifies that, subject to satisfying the relevant procurement procedures, the process for engaging an operator for cultural venues should be accelerated.
51. The Council's Medium Term Financial Plan identifies a base case budget reduction requirement over £92.274 million, with alternative scenarios that potentially increase this figure to £123.535 million. Given the significant financial challenge ahead, the evaluation process must have a strong focus on financial efficiency. It should also allow sufficient flexibility within the contract to allow the Council, should it require to do so, to consider the overall level of leisure and cultural provision provided.
52. The Options Appraisal identified key factors for consideration against each of these options which includes the financial concerns identified above. The management contractor option is identified as having complex VAT and NDR implications and these would need to be considered further in detail, particularly in relation to any subsequent implications for the Council.

## **RECOMMENDATIONS**

The Cabinet is recommended to:

1. carry out procurement processes for the future management of the Council's leisure centres and arts venues
2. delegate authority to the Director of Sport, Leisure and Culture in consultation with the Cabinet Member for Community Development, Co-operatives and Social Enterprise, the Cabinet Member for Corporate Services and Performance, the Section 151 Officer and County Solicitor to:
  - (i) deal with all aspects of the procurement processes and ancillary matters (including contract award criteria and an assessment of risks including equality impact assessment) and report back to Cabinet with a recommendation as to the decision regarding the contract award(s)
  - (ii) note that an engagement and consultation exercise will be carried out with staff, Trade Unions and key stakeholders on the proposal.

**CHRIS HESPE**

Director

9 May 2014

*The following Appendices are attached:*

Appendix 1 – Summary of Max Associates Investigation

Appendix 2 –Pre-decision Scrutiny Letter from Economy and Culture Scrutiny  
Committee

## 1. Executive Summary

- 1.1. Max Associates was appointed in January 2014 to carry out an Options Appraisal for Cardiff Council.
- 1.2. The key objective of the appraisal was “To determine the most appropriate, sustainable and efficient way to ensure a high quality leisure and cultural offer for the people of Cardiff”. The scope of services was defined as the leisure centres and 2 arts venues; St David’s Hall and the New Theatre.
- 1.3. The Council has challenging budget pressures; in total is required to make a minimum £92m of savings over the next three years. The scope of services in this review is tasked to make savings of £2.3m in 2014/15 and will no doubt be asked to make further savings to meet medium term financial pressures.
- 1.4. A review of the performance of the services was completed to provide a ‘baseline’ position to compare any future management options.
- 1.5. The key issues in relation to the Leisure Centres were found to be;
  - The Council’s core objectives are currently to increase participation whilst reducing the current subsidies of the facilities
  - The Council has invested significantly into the portfolio in recent years
  - Total income per visit is within the expected parameters at Llanishen, Maindy and Pentwyn
  - Fitness income per station is improving although at the lower end of expected parameters, particularly at Western LC.
  - Swimming lesson income is increasing with the introduction of direct debits, but there are further opportunities to be exploited; Llanishen is performing very well in respect to lesson income.
  - There are further secondary spend opportunities
  - Operational staff costs and central (which include those attributable to directorate internal support) costs as a percentage of income are high compared to industry benchmarks
  - The overall marketing at the centres and on-line tools could be improved to meet the needs of users and is crucial given the fitness competition and other providers in the market, for example the International Pool and University facilities.
- 1.6. The key issues in relation to the Arts Venues were;
  - The requirement of a clear overall strategy for Arts and Culture across the cultural sector in Cardiff



- Delivery of a long term plan for each venue in relation to the strategy
- The Council has invested into the venues, but there are significant backlog maintenance requirements
- Staffing costs are high in relation to turnover
- Box office duplication and potential savings
- Marketing costs as a percentage of income are high and there are opportunities for savings going forward
- Opportunities for the greater use of volunteers
- Secondary spend opportunities

1.7. A review of the national market for leisure centres showed that of the 4,099 leisure centres and swimming pools in the UK 28% are operated in house, 24% operated by trusts and 9% by a private management contractor. The remaining facilities are provided by either a community group or the education sector.

1.8. The largest national operators include GLL and DC Leisure (Places for People Leisure) who manage over 100 facilities each followed by SLM and Parkwood Leisure (Mintel 2013).

1.9. In relation to arts venues, there is no full national picture of how theatres are managed across the UK. Most are managed either in-house, by locally established trusts or management via a procurement process by a commercial operator. The two main private partners are Ambassador Theatre Group and HQ Theatres.

#### **1.10. Characteristics of each management option**

1.11. A review of the potential management options is detailed below.

#### **1.12. In House operated services**

1.12.1. Services are delivered through direct management of facilities through frontline staff or Direct Service Organisation (DSO).

1.12.2. The Council retains full responsibility for all income risk and expenditure including staffing, utilities and repairs and maintenance costs. The Council is responsible for all investment and replacement of equipment and facilities. The Council maintains full control over all aspects of service delivery including; pricing, programming and marketing.

#### **1.13. Locally Established Trust**

1.13.1. The management of facilities by a Trust can be achieved by establishing a local trust.

1.13.2. The Trust will be an “arms” length company, independent of the Council.

1.13.3. Trusts are able to claim mandatory national non domestic rates (NNDR) relief and sometimes discretionary relief, depending on council policy.

1.13.4. Income on most sporting activities is exempt from VAT, however VAT on corresponding expenditure is non recoverable.

#### **1.14. Established Trust / Private Sector Partner**

1.14.1. The services are defined within a specification and the responsibilities of each of the parties are defined within a contract. As the market develops specifications are becoming more output based, with the contractor providing method statements which form part of the contract, detailing their approach to achieving the specification requirements.

1.14.2. The contractor takes a prescribed level of risk. The contractor is normally provided a degree of flexibility in programming, pricing and marketing and is committed to meeting Council objectives; for example increasing participation, reducing subsidy, investing in facilities.

1.14.3. Within the last 5 years, some contractors are becoming more risk adverse, or costing in higher premiums where they have to accept more risk than they are normally willing to take. Councils are increasingly having to accept a 'shared' risk position in, for example, utility tariffs, building structure (particularly in ageing facilities), buildings insurance, pension contribution rates and change in law.

1.14.4. Contractors are normally able to provide the Council with investment in facilities for either back log maintenance or facility developments which will increase income. There is the potential to improve facilities without increasing revenue budgets.

1.14.5. Private Sector Partners and Trusts are often able to provide a management structure that can lever in some of the NNDR / VAT benefits that traditional trusts can offer, although the Council needs to be clear where the risk will lie if any NNDR / Vat savings are not realised or are lost during the contract period.

1.14.6. Many of the larger trusts that compete with private contractors for new contracts have the same advantages/disadvantages of the private contractors. The biggest exception is that they may often accept the risk of any loss of NNDR / VAT over the contract term.

1.14.7. Although the contractual relationship with the Council will be similar with an established Trust and private sector operator, there are a number of strengths and weaknesses that are distinctive and therefore this has been separated in the report – Advantages & Disadvantages of each Management option.

1.15. There are a number of advantages and disadvantages of each management option. The Audit commission makes it clear that from its own study that none of the options stand out in delivering:

*'..the best overall value for money, or consistently results in more investment or higher levels of participation..'*

1.16. The governance structures of the external management options are provided within the report as are the advantages and disadvantages of each management option.

1.17. Each of the management options were evaluated taking into account the Council's strategic objectives including the delivery of financial savings.

### **Conclusions and Recommendations**

1.18. Max Associates has:

- Completed a full operational review of the scope of services
- Considered the potential management options open to the Council
- Assessed the options given the Council's strategic and financial objectives

1.19. It is noted that due to the current budget requirements the services are already making planned savings. However the review of the existing services has identified both governance and performance savings that could be achieved by the Council if it were to consider the option of procuring an external partner.

1.20. Taking into account the other evaluation criteria, the External Partner option, performed the best in terms of meeting the Council's overall objectives.

1.21. It is believed that Cardiff would be attractive to external partners and the informal soft market test has confirmed this interest.

1.22. It is therefore recommended that the Council develops a procurement strategy for both the Leisure Centres and the Arts Venues.

1.23. It is recommended that there are two separate procurement processes for the leisure centres and arts venues, given that there is a relatively distinct market for each. This would also enable an accelerated process for the arts venues to assist in achieving the short term financial requirements.

1.24. It is recommended that the procurement strategy includes:

- Type of procurement process
- Fully detailed timetable, taking into account the Council's democratic processes
- Consideration of contract length
- Suitable evaluation criteria reflecting the Council's objectives
- Staff and stakeholder communications
- Risk register
- Identification of information required by bidders

## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**



<b>Function Title: COP3a</b> (formerly COP3 / SLC 17) New Operating Model for Leisure – Alternative delivery for Leisure – new operating model in Leisure.
<b>New/Existing/Updating/Amending: New/Updated</b>

<b>Who is responsible for developing and implementing the Policy/Strategy/Project/Procedure/Service/Function?</b>	
Name: Malcolm Stammers	Job Title: Operational Manager Leisure and Play
Service Team: Leisure	Service Area: City Operations
Assessment Date: 19.11.2014	
Updated: 29 <sup>th</sup> January 2015	
Updated: 17 <sup>th</sup> November 2015	
Updated: 12 <sup>th</sup> July 2016	

**1. What are the objectives of the Policy/Strategy/Project/ Procedure/ Service/Function?**

<p>The Council has agreed to progress with a procurement process to determine a new operating model for its leisure centres which will be tested against the enhanced in house provision.</p> <p>It is the intention that there will be a reduction in the subsidy level for leisure services whatever operating delivery model the procurement process recommends.</p>
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**2. Please provide background information on the Policy/Strategy/Project/Procedure/Service/Function and any research done [e.g. service users data against demographic statistics, similar EIAs done etc.]**

Cardiff has a key population of 346,100.	
The following Leisure facilities across the city are within scope for this proposal:	
Centre	Attendances
Llanishen	482261
Pentwyn	287354
Eastern	251281
Western	270475
Fairwater	274656
Maindy	271452
Penylan Community Centre and Library	167955
STAR Centre (Splott Hub planned provision STAR Centre to close)	89142

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All of the centres run a comprehensive programme of activities across all age groups, such as soft play, swimming lessons, junior activities, group fitness classes.

All the facilities have gyms.

There are two leisure pools, three traditional pools and a learner and baby pool within the facilities with a potential traditional pool within the new Splott Hub.

Western Leisure Centre is currently the only facility with village changing although this is planned for the new Splott Hub and the Eastern Leisure Centre refurbishment.

A number of women only sessions are held in some facilities.

Maindy Centre also has a cycle track.

### 3 Assess Impact on the Protected Characteristics

#### 3.1 Age

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative/]** on younger/older people?

	Yes	No	N/A
Up to 18 years	X		
18 - 65 years	X		
Over 65 years	X		

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

Depending on programmes provided by a new management operator, there may be a potential detrimental effect on each age groups current facility programming has a balance of casual usage, clubs, community use and course across all ages.

The facilities offer a comprehensive programme for children and young people including:

- Under 5's provision
- Parties
- School Holiday Activity Programme
- Junior Class Programme

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- Junior Dry-side Course Programme (including Gymnastics, Football, Trampolining)
- TeenFit.

The Authority has an Aquatic Development Plan which encompasses our Learn to Swim, School Swimming and Free Swimming.

The Authority has an obligation to deliver the Welsh Government's Free Swimming Initiative for children under 16 years of age (during School Holidays) and over 60's.

A range of health initiatives are delivered across all facilities including:-

- National Exercise Referral Scheme, including Cardiac Rehabilitation and Falls Prevention.
- Bump Into Action.
- Foodwise.
- Street Games.
- Daytime Provision (Concession 60+): Snooker, Pilates, Table Tennis, Bowls Classes.
- Women Only Sessions.

The Authority currently runs Crèche facilities at Llanishen Leisure Centre, Pentwyn Leisure Centre, Fairwater Leisure Centre.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

### 3.2 Disability

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on disabled people?

	Yes	No	N/A
Hearing Impairment	X		
Physical Impairment	X		
Visual Impairment	X		
Learning Disability	X		
Long-Standing Illness or Health Condition	X		
Mental Health	X		
Substance Misuse	X		

## CARDIFF COUNCIL

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Other	X		
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**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

Depending on programmes provided by a new management operator, there may be a potential detrimental effect on each group.

A range of health initiatives are delivered across all facilities including:-

- National Exercise Referral Scheme, including Cardiac Rehabilitation and Falls Prevention.
- Bump Into Action.
- Foodwise.
- Street Games.
- Daytime Provision (Concession 60+): Snooker, Pilates, Table Tennis, Bowls Classes.
- Women Only Sessions.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

### 3.3 Gender Reassignment

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on transgender people?

	Yes	No	N/A
<b>Transgender People</b> (People who are proposing to undergo, are undergoing, or have undergone a process [or part of a process] to reassign their sex by changing physiological or other attributes of sex)		X	

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

No differential impact can be identified in relation to this protected characteristic, although this will be monitored and addressed as necessary.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

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Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

**3.4. Marriage and Civil Partnership**

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on marriage and civil partnership?

	Yes	No	N/A
Marriage	X		
Civil Partnership	X		

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

No differential impact can be identified in relation to this protected characteristic, although this will be monitored and addressed as necessary.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

**3.5 Pregnancy and Maternity**

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on pregnancy and maternity?

	Yes	No	N/A
Pregnancy	X		
Maternity	X		

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

Depending on programmes provided by a new management operator, there may be a potential detrimental effect on this characteristic.

A range of health initiatives are delivered across all facilities including:-

- Bump Into Action.
- Foodwise.
- Women Only Sessions.

**What action(s) can you take to address the differential impact?**



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At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

**3.6 Race**

Will this Policy/Strategy/Project//Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A
White	X		
Mixed / Multiple Ethnic Groups	X		
Asian / Asian British	X		
Black / African / Caribbean / Black British	X		
Other Ethnic Groups	X		

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

No differential impact can be identified in relation to this protected characteristic, although this will be monitored and addressed as necessary.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

**3.7 Religion, Belief or Non-Belief**

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on people with different religions, beliefs or non-beliefs?

	Yes	No	N/A
Buddhist	X		
Christian	X		
Hindu	X		
Humanist	X		
Jewish	X		
Muslim	X		
Sikh	X		
Other	X		

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**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

Depending on programmes provided by a new management operator, there may be a potential detrimental effect on this characteristic.

A range of health initiatives are delivered across all facilities including Women Only Sessions.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

### 3.8 Sex

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on men and/or women?

	Yes	No	N/A
Men		X	
Women	X		

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

Depending on programmes provided by a new management operator, there may be a potential detrimental effect on this characteristic.

A range of health initiatives are delivered across all facilities including Women Only Sessions.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

### 3.9 Sexual Orientation

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A

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Bisexual		X	
Gay Men		X	
Gay Women/Lesbians		X	
Heterosexual/Straight		X	

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

No differential impact can be identified in relation to this protected characteristic.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

### 3.10 Welsh Language

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on Welsh Language?

	Yes	No	N/A
Welsh Language	X		

**Please give details/consequences of the differential impact, and provide supporting evidence, if any.**

No differential impact can be identified in relation to this protected characteristic, although this will be monitored and addressed as necessary.

**What action(s) can you take to address the differential impact?**

At present no definitive actions can be established due to the procurement process.

Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

Any operating model would be required to account for the requirements as set out within the Welsh Language Act and the Welsh Language Standards.

## 4. Consultation and Engagement

What arrangements have been made to consult/engage with the various Equalities Groups?

**Please note that this is an evolving consideration based on information initially**

## CARDIFF COUNCIL

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**gathered in consultations during 2014. As such considerations incorporate potential options relating to differing operational models.**

Consultation took place via the 'Changes for Cardiff' Budget public consultation process from 21<sup>st</sup> November to 12<sup>th</sup> January incorporating a series of "Changes for Cardiff" engagement and consultation events giving citizens and communities the opportunity to provide feedback on the draft budget proposals.

A New Operating Model for Leisure Centres is included within the overall section on 'Leisure Centres/Arts Venues'.

Of the 3,771 responses, 1,956 (51.9%) agreed that the Council should be looking at different management models for its Leisure Centres, 983 (26.1%) disagreed and 832 (22.1%) didn't know.

Respondents who answered 'Yes' were asked:-

If 'Yes' would you be content with these facilities being managed by the following organisations other than the Council?

Responses to the following question on future management:-

	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Leisure Centres Managed by a Trust	1,468 (79.6%)	141 (7.6%)	236 (12.8%)
Leisure Centres Managed by a Social Enterprise	1,302 (76.1%)	204 (11.9%)	205 (12.0%)
Leisure Centres Managed by a Commercial Management Company	890 (48.4%)	627 (34.1%)	320 (17.4%)

Respondents were also asked:-

'In the future management of Leisure Centres which of the following do you believe will be the most important?'

**Respondents**

Cost to use the service	2,274
Who delivers the service	825
Varied programme of activities	1,983
Opening hours	1,936
Provision for all age groups	2,024
Modern equipment/interiors	1,154

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Membership offers	728
Targeted activities e.g. disabled people	866
Other	122

The Corporate response from the Cardiff and Vale Health Board noted that the removal of subsidies for Leisure Centres and subsequent increases in fees are likely to have a disproportionate effect on attendance in deprived areas, resulting in further reduction in services and decreased access of those living in disadvantage.

#### 5. Summary of Actions [Listed in the Sections above]

Groups	Actions
Age	N/A.
Disability	N/A.
Gender Reassignment	N/A.
Marriage & Civil Partnership	N/A.
Pregnancy & Maternity	N/A.
Race	N/A.
Religion/Belief	N/A.
Sex	N/A.
Sexual Orientation	N/A.
Welsh Language	All considerations will account for the Welsh Language Act and Welsh Language Standards.
Generic Over-Arching [applicable to all the above groups]	At present no definitive actions can be established due to the procurement process.  Whatever the final operating delivery model adopted, it is an objective of the procurement process that the current level of service is maintained if not enhanced by taking account of the needs of the broader community.

#### 6. Further Action

Any recommendations for action that you plan to take as a result of this Equality Impact Assessment (listed in Summary of Actions) should be included as part of your Service Area's Business Plan to be monitored on a regular basis.

#### 7. Authorisation

The Template should be completed by the Lead Officer of the identified Policy/Strategy/Project/Function and approved by the appropriate Manager in each Service Area.

## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**

Completed By: Malcolm Stammers	Date: 19.11.2015 Updated: 29 <sup>th</sup> January 2015 Updated: 17 <sup>th</sup> November 2015 Updated: 21 <sup>st</sup> July 2016
Designation: Operational Manager Leisure and Play	
Approved By: Andrew Gregory	
Designation: Director	
Service Area: City Operations, Sports, Leisure and Culture	

- 7.1 On completion of this Assessment, please ensure that the Form is posted on your Directorate's Page on CIS - *Council Wide/Management Systems/Equality Impact Assessments* - so that there is a record of all assessments undertaken in the Council.

For further information or assistance, please contact the Citizen Focus Team on 029 2087 3059 or email [citizenfocus@cardiff.gov.uk](mailto:citizenfocus@cardiff.gov.uk)

Fy Nghyf / My Ref: NRS/RM/PBr/21.07.16

Dyddiad / Date: 22 July 2016



Councillor Peter Bradbury  
Cabinet Member: Community Development, Co-operatives & Social Enterprise  
City of Cardiff Council  
County Hall  
Cardiff  
CF10 4UW

Dear Councillor Bradbury

### **ECONOMY AND CULTURE SCRUTINY COMMITTEE – 21 JULY 2016**

Thank you for attending the July meeting of the Economy and Culture Scrutiny Committee, where we considered the proposals coming forward from the Leisure Centre Management Procurement Exercise. I will be grateful if you could also pass on the thanks of the Committee to the many officers who attended the meeting and addressed the questions we raised during the meeting.

I have written separately to Councillor Hinchey following our pre-decision scrutiny of these proposals. Please note that the comments made to Councillor Hinchey are the same as those given below.

Following our deliberations on this topic, the Economy and Culture Scrutiny Committee recognise the rationale behind the recommendation being made to Cabinet to approve the proposed appointment of the preferred bidder, Greenwich Leisure Ltd for the operation and management of Cardiff Council's Leisure Facilities. During the meeting Trade Union representatives made a strong case for the decision to be delayed, requesting additional time to review the information contained within the papers in more detail. We concur that a large amount of information has been provided with relatively short notice to fully examine the finer details of the business case; however the committee does not feel that further examination of the information available would lead us, or indeed the project team, to a different conclusion. In light of the severe financial pressures and risks facing the Council, we cannot endorse a delay in this decision being made, given that we do not have confidence that a suitable alternative to this proposal is likely to come forward.

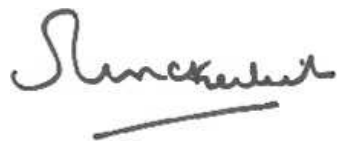
Some of the key areas discussed at the meeting included concerns relating to contract conditions, staff employment conditions, the ability to hold GLL to account if the required quality of service is not delivered and whether the Council would be in a position to prevent GLL closing leisure centres further into the 15 year contract. Assurances were given by officers during the meeting that the Council will have a strong influence of these areas through the contract which is to be agreed with GLL. Members of the Committee recognise the vital role of the Client Function which will

be established to monitor and manage the agreed contract. During the meeting officers commented that other local authorities have encountered difficulties having established a weak client function and we would stress the importance that these mistakes are not repeated in Cardiff, providing the ability for the Council to challenge and enforce the conditions that are agreed at the outset of the contract with GLL.

The Committee also heard concerns about the working practices implemented by GLL elsewhere in the UK. We note the concerns which Trade Unions have raised in respect of their members in Cardiff and we welcome the passion with which each representative presented their case in protecting the interests of their members. From the evidence provided at the meeting, Members of the Committee were, however, reassured that these are issues of which the project team are aware. We understand that they will look to mitigate this risk through a robust client function and the detailed discussions and negotiations which will be undertaken in finalising contract arrangements with GLL.

I would be grateful if you would consider the above comments, observations and recommendations, and look forward to receiving your feedback.

Regards,

A handwritten signature in black ink, appearing to read 'Rod McKerlich', with a horizontal line underneath it.

**Councillor Rod McKerlich**  
**Chairperson, Economy and Culture Scrutiny Committee**

cc    Leisure Centre Management ADM Project Team  
      Trade Union Representatives  
      Cabinet Support Office  
      Members of the Economy and Culture Scrutiny Committee