

LEISURE SERVICES CONTRACT (GREENWICH LEISURE LIMITED)

CULTURE & LEISURE (COUNCILLOR PETER BRADBURY)

AGENDA ITEM: 4

Appendix 1 of this report is exempt from publication pursuant to the provisions of Schedule 12A Part 4 paragraph 14 of the Local Government Act 1972

Reason for this Report

1. To update Cabinet on the impacts of the COVID-19 pandemic on the delivery of the Leisure Services Contract with GLL.
2. To escalate to Cabinet a corporate red risk relating to the long-term sustainability of the contract and continuity of service provision.
3. To seek Cabinet approval to review the Leisure Service contract with GLL to identify potential contract variations that could help improve the long-term sustainability of the agreement and protect service provision. Any proposals would seek approval at a future Cabinet meeting.

Background

4. In 2016 the Council entered into a long term (15 year) contract with Greenwich Leisure Ltd to manage eight leisure and community facilities, these being:
 - Llanishen Leisure Centre
 - Pentwyn Leisure Centre
 - Fairwater Leisure Centre
 - Western Leisure Centre
 - Eastern Leisure Centre
 - Maindy Centre
 - STAR Hub
 - Penylan Library and Community Centre

The opportunity was secured through a competitive process and the contract commenced on December 1st 2016.

5. Two of the above centres have a dual use operation with the Council's Library Service namely, STAR Hub and Penylan Library and Community Centre.
6. 156 employees (49 FTE) were transferred under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). Terms and Conditions were protected on transfer and adhere to the Welsh Workforce Code of Practice.
7. The Council retains ownership of the facilities as part of the contract, on award, a sum of £3.465m Capital Funding was made available to secure improvements, to increase attendances, drive income and realise energy efficiencies.
8. GLL created the Cardiff budget on the basis of an initial operating deficit which was underwritten from surpluses on better performing contracts throughout their United Kingdom portfolio. Their aim was to reduce the deficit over a three year period through a combination of capital investment, efficiencies and income generation.
9. The Council appointed a "Client" team to oversee the contract, monitor and ensure compliance with the Service Specification. A hierarchy of meetings have been put in place which form part of the overall governance arrangements, as follows;
 - Operational – Weekly
 - Performance – Quarterly
 - Project Liaison Board - Quarterly
10. The arrangements have enabled the Council to eliminate its previous annual subsidy for these facilities amounting to circa £3.5m per annum whilst keeping all of the centres open to the public. The removal of subsidy was achieved within three years of the commencement of the contract. The contract has also secured capital investment, protected jobs and ultimately delivered value for money at a time of unprecedented financial pressures.
11. Capital Ambition recognises the contribution that the Council's leisure and community facilities make across a wide range of portfolio areas contributing towards the Health and Well-being of Future Generations (Wales) Act 2015.
12. The Economic Development Directorate Delivery plan sets out its commitment in Working with partners to develop strategic plans for the development of sport and physical activity from March 2020 that secure increases in participation, attract investment, improve health and inequality, and ensure sustainability of provision.
13. A number of targeted initiatives have been developed and implemented consistent with the commitment in the Economic Directorate Delivery Plan and include:
 - BME women-only swimming at STAR Hub and Maindy Centre

- Fed and Read breakfast activity and learning clubs at STAR Hub and Western Leisure Centre
 - Disability specific swimming lessons and sessions at STAR
14. GLL reported positive performance metrics for 2019/20 that included;
- Year-end attendances were up by 35,000 when compared with the previous financial year
 - Service improvements which included investment in the refurbishment of facilities at Fairwater Leisure Centre
 - Review and implementation of pool programmes to increase participation
 - Achievement of the industry standard “Quest Plus” quality award at five centres
 - Demonstration of social impact value of over £14m

Issues

15. COVID-19 has had a significant impact on the financial performance of the contract which has seen a significant rise in the operating deficit between 2019/20 and 2020/21.
16. The Council has worked with GLL to prepare quarterly claims to Welsh Government for supplier relief and this is helping to bridge the gap to a certain extent. In May, supplier relief of £400k was provided upfront by the Council to protect jobs and support the overall losses being incurred. A further payment of £600k was made in October 2020. GLL has committed to working with the Council on an open book basis to enable a full claim for eligible losses to be made to the Welsh Government Hardship Fund covering the COVID-19 period.
17. The Council has been reimbursed for its first upfront payment and is currently preparing a second claim to cover the full eligible losses up to the end of October 2020, including the second advance of £600k made by the Council. Over and above the claims to the end of October, GLL forecasts indicate that a minimum of an additional £1.1 Million will be required up until the end of the 2020/21 financial year to cover remaining losses.
18. Whilst the supplier relief payments have helped to keep staff employed in the short term, GLL no longer has the reserves from their UK wide activities to continue to absorb any operating deficit. Furthermore, it is anticipated by the sector that it will take a significant period of time after COVID restrictions are lifted for the leisure sector to recover to its pre-COVID position. Therefore, it is inevitable that it will take even longer to grow the business, as originally planned, to a point where the initial operating deficit is completely eliminated. This creates significant pressure on the current contractual arrangements.

19. The impacts can be evidenced by the visible reduction in participation over the period of the pandemic as follows:
 - Average attendances in leisure and community centres have reduced by circa **50%** when comparing Q2 (2019/20) with Q2 (2020/21).
 - **20%** of direct-debit memberships were cancelled on lockdown in March 2020.
 - New membership sales for September 2020 were **23%** lower than when compared with September 2019.
 - Swim School attendance was **54%** lower for Q2 (2020/21) when compared with Q2 (2019/20).
20. GLL also face significant challenges in Cardiff due to the competition of an increasing number of private sector gyms, leisure and spa facilities and community schools offering access to sports facilities.
21. In September 2020, the Chief Executive of GLL wrote to the Chief Executive of Cardiff Council (see Confidential Appendix 1) setting out the risks presented by the COVID-19 pandemic to the Cardiff contract and seeking a collaborative solution to protect the long term sustainability of the service.
22. The financial predicament GLL currently finds themselves in represents a significant Red Risk to the Council, which needs to be escalated to Cabinet level. As part of this process the issue will be presented and discussed with the Economic & Culture Scrutiny committee to ensure members more widely have sight of the issues.
23. It is proposed through this report that the Council and GLL together undertake a fundamental review of all facilities and operations across the portfolio, to identify where the greatest challenges exist and to consider new opportunities for innovation and modernising operating models, to attract investment, increase participation and ensure the long-term sustainability of the service. Any proposed variations to current contract arrangements will be presented back to a future meeting of Cabinet, including consideration by the Economic & Culture Scrutiny committee, for authority to proceed before implementation.
24. In 2019/20 the Audit Wales undertook a review of Leisure Services in Cardiff to determine of the Council's approach to leisure services supports the achievement of its well-being goals, and delivers value for money. This followed on from the Auditor General for Wales Report of 2015, 'Delivering with Less – Leisure Services'. The final report is due to be received during Q3 2020 and it is anticipated that it will address the sustainability of the contract and the Council's approach to contract management and performance management.
25. Through the process of undertaking the Audit Wales review, the Council has recognised opportunities to better integrate the management of the GLL contract within the Council's performance management framework. Before this, the contract had been largely managed as a separate

programme with the main political interface provided through the quarterly Project Liaison Board meetings, chaired by the Cabinet Member for Culture and Leisure and also attended by the Cabinet Member for Finance, Modernisation and Performance.

26. In order to strengthen the Council's management of the contract, a number of improvements have recently been implemented:
- The production of a transformation plan to innovate, modernise and operate a more community focussed and sustainable service provision aligned to Capital Ambition
 - A review of the Service Specification and performance measures aligned to Capital Ambition
 - The development of Social Value indicators
 - The inclusion of new steps in the Corporate Plan with progress reported as part of the Council's corporate performance management framework and risks monitored through the Council's corporate risk management framework
 - A commitment to taking an annual report to the Economy and Culture Scrutiny Committee.
27. Given the pressures arising from the COVID-19 pandemic, this report seeks to escalate the risk to the delivery of the Council's Leisure Services from a directorate level red risk to a corporate level red risk.

Scrutiny Consideration

28. The Economy & Culture Scrutiny Committee considered this item on 5 November 2020. The letter from the Chair is attached at Appendix 2.

Reason for Recommendations

29. To enable mitigations to ensure the long-term sustainability of the Leisure Services contract with GLL.

Financial Implications

30. Currently, the Council is able to claim to Welsh Government LA Hardship fund in respect to financial loss of income incurred by GLL as a result of the pandemic. This position cannot be relied upon to continue and there will be a need for the Council and the contractor to consider the changes needed in order to ensure leisure services can continue to be delivered once the pandemic has reduced in severity. In considering the changes proposed, any additional costs taken by the Council will result in financial resources needing to be identified prior to any action being taken. The financial impact of any decision needs to be considered as part of the 2021/22 budgetary Setting process.

31. Any reliance on income will be considered to have a level of risk associated with it as a result of the unpredictability of the customer demand for these services going forward particularly for the next twelve months. Any income assumptions will need to be reviewed carefully and contingencies considered for events not in the control of the Council.

Legal Implications

31. The recommendations in the report do not raise any direct legal implications. The report merely asks Cabinet to note the financial position on the GLL contract and to seek permission to explore/ identify potential options that may help with the long-term sustainability of the contract with GLL. As regards the second recommendation, in exploring the potential options, the Council should have regard to the applicable legislation and the equality and well-being duties. Detailed legal advice should be obtained from legal services in relation to the matter.

Equalities Duties

32. 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 (i) Religion or belief – including lack of belief.

Well Being of Future Generations (Wales) Act 2015

33. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
34. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff's Corporate Plan 2020-23. When exercising its functions, the Council is required to take all reasonable steps to meet its well-being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well-being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
35. The well-being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own

needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

36. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

General

37. The decision maker should be satisfied that the decision is in accordance within the financial and budgetary policy.
38. The decision maker should also have regard to, when making its decision, to the Council's wider obligations under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

Human Resources Implications

39. There are no HR implications arising directly from this report. HR will be fully involved in any review of the contract so that any staffing matters are able to be considered as part of any future reports.

Property Implications

40. There are no specific property implications arising from the proposal to approve a review the Leisure Service contract with GLL in respect of the eight Leisure Centres.
41. Any resultant land transactions, negotiations or valuations required in respect of contract variations, including land and property requirements for any disposal or replacement of existing facilities, should be done so in accordance with the Council's Asset Management process and in consultation with Strategic Estates and relevant service areas.

RECOMMENDATIONS

Cabinet is recommend to:

1. Note the current financial pressures associated with the Leisure Services contract with GLL arising from the COVID-19 pandemic.

2. Authorise a review of the Leisure Services contract with GLL to identify potential variations to improve the long-term sustainability of the contract and protect service delivery and to report back to a future meeting of Cabinet for authority to proceed.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	13 November 2020

The following appendix is attached:

Confidential Appendix 1 – Letter from GLL CEX

Appendix 2 – Letter from Chair of Economy & Culture Scrutiny Committee