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**LEISURE SERVICES CONTRACT (GLL - GREENWICH LEISURE LIMITED):  
PRE-DECISION SCRUTINY**

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*Appendix 1 of this report is not for publication as it contains exempt information of the description contained in paragraphs 14 of part 4 and paragraphs 21 of part 5 of Schedule 12A of the Local Government Act 1972.*

**Purpose of the Report**

1. To give Members background information to aid the scrutiny of the draft report to Cabinet regarding its Leisure Services Contract with GLL (Greenwich Leisure Limited), which is due to be considered by Cabinet at their meeting on 19 November 2020.
2. Members should note that **Appendix 1** of the Cabinet report, at **Appendix A**, is exempt from publication. Members are requested to keep this information confidential, in line with their responsibilities as set out in the Members Code of Conduct and the Cardiff Undertaking for Councillors.

**Scope of Scrutiny**

3. At their meeting on 19 November 2020, the Cabinet will consider a report that sets out the impact of the coronavirus pandemic on the sustainability of the Council's leisure services contract with GLL and seeks cabinet approval to upgrade the risk rating to Corporate Red Risk and to review the contract to identify potential variations to improve contract sustainability.
4. During this scrutiny, Members have the opportunity to explore:
  - i) The consequences of the coronavirus pandemic on GLL's service provision;
  - ii) Whether there are any costs to the Council flowing from this;

- iii) The proposals to undertake a review and identify potential contract variations;
- iv) The consequences of this issue being deemed a Red Risk to the Council;
- v) The timeline and next steps for delivering potential contract variations;
- vi) The recommendations to Cabinet.

### **Structure of the meeting**

- 5. The Chair will move that this item be considered in two parts: an open session, where Members will be able to ask questions on the issues and papers that are in the public domain; and a closed session, where members of the public will be excluded, where Members can ask questions that pertain to **Appendix 1**.
- 6. Members will hear from Councillor Peter Bradbury (Cabinet Member – Culture and Leisure), Steve Morris (Operational Manager – Sport, Leisure & Development) and Rhys Jones (Head of Service, Cardiff, GLL), who will be available to answer Members questions.
- 7. Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration prior to making their decisions.

### **Background**

- 8. Leisure Services are discretionary but contribute to the Council meeting statutory obligations set out in the Wellbeing of Future Generations Act (2015). The Council's Capital Ambition, Corporate Plan and Directorate Plans recognise this and commit the Council to working with partners to increase participation in sport and physical activity, improve health inequality and ensure sustainability of provision.
- 9. In December 2016, Cardiff Council and GLL (Greenwich Leisure Ltd) commenced a fifteen-year leisure centre management partnership, with GLL contracted to

deliver leisure services at six leisure centres, the STAR centre in Splott and Penylan Library and Community Centre. This resulted in 156 employees (49 FTE) transferring to GLL, via TUPE<sup>1</sup>.

10. The contract contains the following:

- i) The Council retains ownership of the facilities;
- ii) The Council provides £3.465m Capital Funding for improvements;
- iii) The Council establishes a client team to oversee contract monitoring and compliance with the service specification;
- iv) GLL utilises surpluses from other contracts to underwrite the initial operating deficit;
- v) GLL are to work with stakeholders to encourage increased participation and reduce health inequalities and to work with partners including community groups to ensure access and participation for all members of the community.

11. Until the coronavirus pandemic, GLL reported improved performance including increased attendances, refurbished leisure centres, achievement of quality award and demonstrable social impact value of over £14 million.

### **Issues identified in the Cabinet Report**

12. The draft report to Cabinet entitled 'Leisure Services Contract (Greenwich Leisure Limited)' is attached at **Appendix A**, of which **points 15-27** outline the issues, which are:

- i) Covid-19 has had a significant impact on leisure services and it is expected that the leisure industry will take a significant period of time to recover to its pre-covid position;
- ii) The Council has provided 2 amounts of supplier relief to protect jobs and support the overall losses being incurred; £400,000 in May 2020, which has subsequently been reimbursed in full by Welsh Government; and £600,000 in October 2020, for which a claim for full reimbursement is being submitted to Welsh Government;

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<sup>1</sup> TUPE stands for Transfer of Undertakings (Protection of Employment) Regulations, which protects terms and conditions.

- iii) GLL forecast an additional £1.1 million is required till the end of 2020-21 to cover remaining losses;
- iv) GLL no longer has reserves to absorb the operating deficit caused by the coronavirus pandemic.

13. The report to Cabinet highlights that the above create significant pressure on the current contractual arrangements, as follows:

- i) Significant decrease in participation levels;
- ii) It will take longer than originally planned to eliminate the initial operating deficit.

14. At **point 21**, the report to Cabinet states that the Chief Executive of GLL has written to Cardiff Council's Chief Executive setting out the risks to the contract and seeking '*a collaborative solution to protect the long term sustainability of the service.*' This letter is attached at **Confidential Appendix 1**.

15. **Point 22** highlights that the financial situation of GLL presents a Red Risk to the Council.

16. At **point 23**, the report to Cabinet seeks approval for the Council and GLL to undertake a fundamental review to identify the greatest challenges and new opportunities and to consider potential variations to the current contract arrangements. The report stresses that these would be brought back for further scrutiny and Cabinet approval.

17. At **points 24 – 26**, the report to Cabinet sets out the Wales Audit Office's recent review of Leisure Services is likely to '*address the sustainability of the contract and the Council's approach to contract management and performance management.*' It states the Council has implemented a number of improvements to address these findings.

18. Financial Implications are set out in **Points 29-30** and include:

- i) That the Council cannot rely on the continuation of Government funding to cover losses incurred

- ii) That the Council and GLL need to consider changes needed to ensure continuation of leisure services
- iii) That the Council will need to identify financial resources before incurring any additional costs
- iv) That the financial impact of any decision needs to be considered as part of the 2021/22 budget setting process
- v) Any income assumptions will have risk due to unpredictability of customer demand and need to be reviewed carefully, with contingencies considered for events not in the control of the Council.

19. Legal Implications are at **Points 31-38** and include that detailed legal advice should be obtained during the process of exploring potential variations to contract, to ensure there is regard to the applicable legislation and equality and wellbeing duties.

### **Proposed Recommendations to Cabinet**

20. The report to Cabinet contains the following recommendations:

- i) *Note the current financial pressures associated with the Leisure Services contract with GLL arising from the COVID-19 pandemic.*
- ii) *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.*

### **Previous Scrutiny**

21. This Committee has undertaken several scrutinies relevant to this report, including:

- i) 2014 – an Inquiry into ‘*Alternative Operating Models in Leisure and Cultural Venues*’ Inquiry, including providing views on the process of procurement and evaluation principles;
- ii) 2015- commenting on the Leisure Service requirement specifications, part of the competitive dialogue process

- iii) 2017 - Committee Members scrutinised the first year of operation of the partnership, testing contract management, performance levels, and whether there were any changes to the Council's commitments and risks. Members were keen to test whether the partnership was meeting the needs of Cardiff citizens and communities. The Chair, Councillor Howells, issued a press release seeking the views of citizens of Cardiff on how the leisure centres were being run. Responses were received from over 70 residents, with responses collated and shared with Committee Members and the partnership. At the meeting, Committee Members used these responses to frame lines of enquiry with the partnership. Following the meeting, Members requested and received details of the GLL User Survey and Usage profiles broken down by age, disability, ethnicity and gender.
- iv) 2019 – Members scrutinise the ongoing performance, focusing on participation and usage rates, capital programme, use by public sector organisations, planned changes to services, any whether there were any changes to the Council's commitments and risks. Overall, Members were pleased with the progress made in improving participation and usage rates, increased customer satisfaction and progress in delivering capital programme improvements. Members noted that work was on track for there to be zero subsidy from the Council by 2019/20 and that no new commitments or risks to the Council had been identified.
- v) 2020 – the previous item at this meeting – Agenda Item 4 – explores the impact of the coronavirus pandemic on leisure and youth sports, and includes evidence relevant to this scrutiny, including actions taken by GLL to reduce costs, how other local authorities have supported GLL and recent press reports that GLL are considering redundancies in Cardiff.

## **Way Forward**

22. Councillor Peter Bradbury (Cabinet Member – Culture and Leisure) will be invited to make a statement. Steve Morris (Operational Manager – Sport, Leisure and Development) and Rhys Jones (Head of Service, Cardiff GLL) will also attend to answer Members' questions.
23. All Members are reminded of the need to maintain confidentiality with regard to the information provided in **Appendix 1**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

## **Legal Implications**

24. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

25. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are

implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATION**

The Committee is recommended to:

- i) Consider the information in this report, its appendices and the information presented at the meeting;
- ii) Determine whether they would like to make any comments, observations or recommendations to the Cabinet on this matter in time for its meeting on 19 November 2020; and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

**DAVINA FIORE**

**Director of Governance & Legal Services**

**30 October 2020**