

Review of Leisure Services – Cardiff Council

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Summary report

What we reviewed and why

- 1 In accordance with the Well-being of Future Generations (Wales) Act 2015 (the WFG Act) the Auditor General for Wales (the AGW) is statutorily required to examine public bodies to assess the extent to which they have acted in accordance with the sustainable development principle when:
 - setting their well-being objectives; and
 - taking steps to meet them.
- 2 The Act defines the sustainable development principle as acting in a manner: ‘...which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs’.
- 3 As well as duties under the WFG Act, the AGW has duties relating to examining whether councils have proper arrangements to ensure economy, efficiency and effectiveness (value for **money**) under the Public Audit (Wales) Act 2004. In discharging these duties, the Auditor General published his report *Delivering with Less – Leisure Services*, in December 2015.¹
- 4 Since we published that 2015 report, the Council entered into a new 15-year contract, described as a partnership arrangement, with Greenwich Leisure Limited (GLL). This commenced in December 2016. The contract covers eight leisure centres and was procured through a competitive procurement process.
- 5 This review sought to answer the question: **is the Council’s approach to leisure services supporting the achievement of its well-being objectives, and delivering value for money?**
- 6 Our work focused on those leisure services provided by GLL and how they contribute to the achievement of the Council’s Wellbeing Objectives as described in the Council’s Corporate Plan, *Delivering Capital Ambition*, in particular the Well-being Objective: ‘Safe confident and empowered communities’ and the priority for 2019-20 to support sports, leisure, culture and green spaces.
- 7 The findings in this report are based on fieldwork that we undertook prior to the COVID-19 pandemic.

1 *Delivering with Less - Leisure Services*, National Report published in 2015

What we found

- 8 Overall, we found that the Council has achieved its key aim of keeping its leisure centres open. But there is significant scope for the Council to better apply the sustainable development principle and strengthen its arrangements to assure itself that its contract with GLL is delivering value for money.
- 9 We came to this conclusion because:
 - the Council has maintained its leisure provision but would benefit from setting clear priorities for its leisure services and reviewing its contract with GLL to ensure it supports the delivery of these priorities and its well-being objectives;
 - there have been weaknesses in contract management and whilst the Council has strengthened arrangements, there is still scope to further improve them; and
 - the Council's governance and performance management arrangements could be improved to help the Council to assure itself that the contract with GLL is sustainable and delivering value for money.
- 10 Our detailed findings are set out in the next section of the report.

Proposals for improvement

Exhibit 1: proposals for Improvement

The table below sets out the proposals for improvement that we have identified following this review.

Proposals for improvement
<p>The Council should:</p> <p>PFI 1: Establish a clear strategy, vision and priorities for its leisure services which incorporates consideration of the WFG Act.</p>
<p>PFI 2: Undertake a review of the GLL contract service specification to ensure it supports the delivery of the Council's priorities for its leisure services and its wider well-being objectives.</p>
<p>PFI 3: Consider how it can strengthen application of the sustainable development principle through the services delivered by GLL, including:</p> <ul style="list-style-type: none">• adopt a more strategic approach to collaboration which ensures all organisations including Cardiff and the Vale Health Board/Public Health and the Third Sector are involved in planning and developing GLL and other leisure services at a local and regional level.• further integrate the planning and delivery of GLL Leisure Services with other public bodies and Council services, such as Education and Social Care.• listen to, and involve, service users in the development and delivery of GLL and other leisure services to ensure they represent the needs and aspirations of the full diversity of local communities they serve.
<p>PFI 4: Improve contract management arrangements to ensure there is robust and transparent monitoring of the delivery of the contract specification.</p>
<p>PFI 5: Ensure that the Council effectively considers the long-term financial and well-being risks of the leisure contract in its corporate risk management processes.</p>
<p>PFI 6: Improve reporting arrangements to ensure members receive a full and timely account of contract performance which includes revenue/expenditure.</p>

Detailed report

The Council has maintained its leisure provision but would benefit from setting clear priorities for its leisure services and reviewing its contract with GLL to ensure it supports the delivery of these priorities and its well-being objectives

- 11 Overall, the Council considers that the contract with GLL is successful. It has achieved its original aims of keeping all leisure centres open, achieving a zero-subsidy position by April 2019 and thereafter receipt of a net income from its contract with GLL.
- 12 There are references to the role being played by leisure within the Council's corporate plan – 'Delivering Capital Ambition' (the Plan) in support of its well-being objectives. However, the Council does not have a clear vision or strategy which clearly articulates its priorities for the current and future provision of leisure services to help guide the services provided by GLL. The Council has also not set out how its approach to leisure services intends to apply the sustainable development principle and the five ways of working to achieve its well-being objectives, national well-being goals, and to deliver value for money.
- 13 In the absence of a clear set of priorities for its leisure services, there is also a lack of clarity among stakeholders about what the specific leisure priorities are within Cardiff, and how stakeholders, including GLL, can work together to achieve them. We found that the Council is unable to clearly demonstrate how GLL plans are integrated with those of other public bodies.
- 14 The Council would benefit from setting clear priorities for its leisure services and reviewing its contract with GLL to ensure it supports the delivery of these priorities and its well-being objectives.
- 15 The Council's Economic Development Directorate Delivery Plan 2019-20 includes an action to develop a vision for leisure services, but we understand this is currently in the early stages of development.
- 16 We found numerous examples of collaborative working, such as with Menter Caerdydd² and the Urdd³ to promote Welsh swimming lessons and with Cardiff and Vale Health Board Neurological Rehabilitation Unit to encourage participation. However, we found limited evidence that the Council has taken account of the integration, prevention and involvement ways of working. For example, we found limited evidence of integration with other Council services and there are further opportunities to explore collaboration with other external bodies.

² Menter Caerdydd is an events services company through the medium of Welsh.

³ Urdd Gobaith Cymru is a National Voluntary Youth Organisation which provides opportunities through the medium of Welsh for children and young people in Wales to make positive contributions to their communities.

- 17 In its 2018-19 annual report, GLL state that the overall number of visits to its leisure centres had increased by 3.9% since the prior year. As such, the contract is helping to contribute to the delivery of the Council's well-being objectives but there remains significant scope for the Council to better apply the sustainable development principle and measure and report on this contribution more broadly.

There have been weaknesses in contract management and whilst the Council has strengthened arrangements, there is still scope to further improve them

- 18 The key arrangements in place to monitor and manage the contract include:
- a Project Liaison Board (PLB), attended by a mix of cabinet members, GLL and Council staff. The PLB first met in September 2017 and meets quarterly. The PLB discusses contract performance, significant operational matters, and any future planned changes to service. The PLB receives a mix of financial and performance information relating to the operation of the contract.
 - regular contract liaison meetings between GLL and the Council's contract monitoring staff. These meetings focus on operational matters.
- 19 Relevant cabinet members, Council and GLL staff feel they have developed a good working relationship described by all parties as a partnership. This relationship has evolved since the inception of the contract on 1 December 2016. It is important to note that it is a formal contract rather than a partnership, which should be reflected in the application of the Council's contract management arrangements.
- 20 In April 2018, the Council's Internal Audit Service gave an assurance rating of 'Insufficient with major improvement needed' on the processes and procedures in place relating to the GLL service contract. Internal Audit's report raised a corporate recommendation for the Council to ensure that reporting mechanisms are in place from the commencement of a contract when entering into any contractual or partnership arrangement. The report added that the control environment (corporate and directorate) required improvement as it did not provide reasonable assurance that all high-level risks were adequately controlled. It also found that a lack of adequate monitoring controls exposes the Council to the risk of GLL not achieving their objectives, performance standards and financial targets set out in the contract. Internal Audit made nine recommendations in total, including five relating to governance and monitoring arrangements.
- 21 The management response in November 2018 to that Internal Audit report gave assurance that the recommendations had been addressed. However, our review echoes the Internal Audit findings and found that some of the concerns identified as recommendations by Internal Audit remain. For example:
- management must ensure risks identified are reviewed and updated in the Directorate Delivery Plan;

- effective decision-making process is followed demonstrating options, alternatives and risks in the case of a deviation being sought from the Service Specification;
 - management reports must provide sufficient information to provide an accurate assessment of progress made to facilitate a review of added value, including comparative data to prior year(s); and
 - introducing regular reporting to Senior Management Team (SMT) to increase the effectiveness of monitoring the contract.
- 22 In October 2018, GLL appointed a contract manager and a locally based management team to further develop its local knowledge and improve communication and performance. This has helped to strengthen the relationship with the Council and provided assurances as to their shared intentions to work together to improve contract management arrangements and performance.
- 23 The Council appointed a new Operational Manager for Sport Leisure and Development in July 2019 to improve the oversight and management of contract performance and better align the service with the Well-being of Future Generations Act principles.
- 24 We found that contract management arrangements could be improved by more closely monitoring delivery of the contract specification in a transparent and systematic way. Our review found that aspects of performance are not being consistently monitored in line with the service specification. For example, the Council has not set targets for the desired levels of junior participation or for those with the social characteristics as set out in the service specification. The Economy and Culture Scrutiny Committee emphasised the importance of achieving social objectives, such as reduced charges for looked after children and increased access for disadvantaged customers in its report in January 2019.
- 25 The Service Specification requires GLL to:
- provide a Community Benefits Plan to maximise benefits from the delivery of educational community and environmental initiatives in association with the delivery of the services through the facilities;
 - ensure services continuously improve and certain performance standards achieved such as the use of benchmarking services through the National Benchmarking Service;
 - reflect the Council's duties and responsibilities under the Equality Act 2010; and
 - reflect the Well-being of Future Generations (Wales) Act 2015.
- 26 At the time of this review GLL had not produced a Community Benefits Plan, but we understand it was under development. We also found no evidence of services being benchmarked through the National Benchmarking Service or equivalent in the first two years of the contract nor agreement to do so every subsequent two-year period of the contract as required in the specification. In December 2017, the Chair of the Economy and Culture and Environmental Scrutiny Committee wrote to the Cabinet Member for Leisure and Culture recommending that GLL incorporate

equality impact assessments into their decision-making process for strategic, policy and key operational changes. However, there is confusion between the Council and GLL as to who is responsible for doing these assessments. We have not been provided with evidence of any assessments made to date. The absence of equalities impact assessments hampers the ability of the Council to demonstrate that it has fully considered the needs of the diversity of the population. Public bodies must give careful consideration to their Equality Duty under the Equality Act 2010 when a decision clearly affects a considerable number of people.

- 27 Although we understand that the impact of changes to pricing and schemes were discussed at the PLB, the documents and minutes of these meetings do not substantiate that there had been robust consideration and appraisal of the impact of price changes on participation for those with protected characteristics under the Equality Act 2010, such as changes to junior membership arrangements, or for service users more generally. The service specification requires that the contractor 'explain and demonstrate the rationale for pricing policies schemes and initiatives and provide an analysis of the impact of any changes on participation and customer groups.' This information was not available. The Council should improve the quality of records of decisions and the process of transparently managing and overseeing their implementation in line with the specification.
- 28 Overall, our review suggests that the Council would benefit from an evaluation of how well its contract is being managed in accordance with the service specification and the arrangements in place to support this.

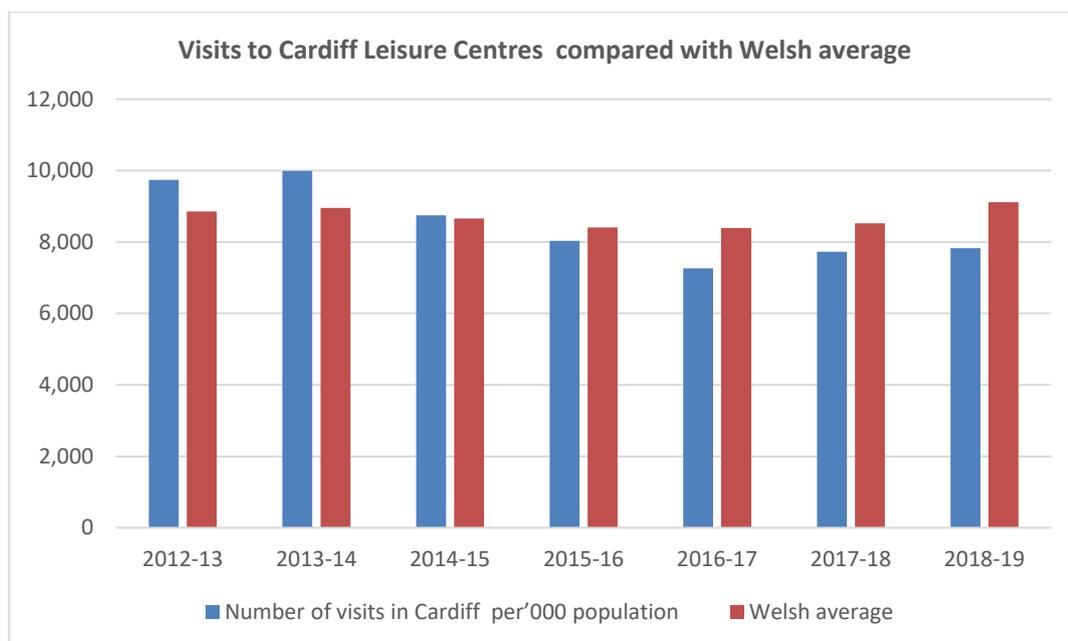
The Council's governance and performance management arrangements could be improved to help the Council assure itself that the contract with GLL is sustainable and delivering value for money

- 29 Information provided within GLL quarterly monitoring reports to the Project Liaison Board show that GLL is currently operating the contract at a financial loss. The GLL Annual Report 2018-19 describes the financial position of the service as disappointing. In response to this, the local GLL contract management team developed a five-year plan which came into force in April 2019, to bring the contract back in line with the expected financial position. Whilst it is GLL that bears the financial risk, should the financial position not improve, there is a risk to the sustainability of the contract and therefore to the wider benefits the service brings to service users as well as to the reputation of the Council. We would expect, therefore, that the Council is closely monitoring and addressing this risk.
- 30 A reference to this risk that 'GLL fail to deliver on the agreed legal contract and the subsequent financial objectives' is included in the Economic Development Directorate Delivery Plan 2019-20. However, it is given a 'green' status and no mitigating actions or commentary is included.

- 31 Internal Audit's report on the leisure contract included a recommendation that: 'Management must ensure that the risks identified in the Directorate Risk Register are reviewed and updated reflecting all mitigating and risk factors. Where necessary risks must be escalated to the Senior Management Team (SMT) as specified in the Risk Management Policy and Strategy'. We could not find any evidence that this has been done.
- 32 The Council's corporate plan for 2019-20 sets out that one of its key targets is to achieve a two per cent increase in the number of visits to local authority sports and leisure centres during the year per 1,000 population where the visitor will be participating in physical activity. **Exhibit 2** below shows that visits to Cardiff Sport and Leisure facilities, (which include the eight centres managed by GLL) remain below those achieved in 2012-13, are below the Welsh average and give rise to a ranking of 19th in Wales for 2018-19.

Exhibit 2: the number of visits to Local Authority sport and leisure centres during the year per 1,000 population where the visitor will be participating in physical activity

The most recent national performance data available shows that visits to Cardiff Sport and Leisure facilities (which include the eight centres managed by GLL) in 2018-19 remain below those achieved in 2012-13, are below the 2018-19 Welsh average and give rise to a ranking of 19th out of the 22 councils in Wales.



Source: Data Cymru

- 33 This comparative performance is not included in the Council's 2018-19 annual performance report; neither does the report provide any information about how

performance compares with other providers or any information about service user views of the service. Therefore, it is difficult for members and the public to obtain a rounded picture of the Council's leisure performance from the annual performance report.

- 34 We recognise that this indicator covers a broader range of sport and physical activity facilities than the centres managed by GLL. It is positive GLL reported in its Annual Report 2018-19 that its leisure service in Cardiff saw an increase in usage over the previous year of 5.1%, exceeding the Council's target of a 2% annual increase.
- 35 GLL also reported it has generated for Cardiff a social return against health, well-being, crime and education to the value of £13.4 million in 2018-19; this equates to a social return of £2.25 for every £1.00 spent in the leisure centres. GLL's social return calculation is based on regular participation in sports and physical exercise in its centres. This could be further improved through the provision of comparative data to indicate how well this social return calculation compares with other authorities or similar facilities.
- 36 In its attempt to involve its service users, GLL implemented a 'listen 360' customer feedback system in 2018, which provides a 'net promoter score' for each leisure centre. GLL indicate that Cardiff scores 21%, which is above GLL national averages of 20%. However, the scores for 2018-19 show some variation: five of GLL's eight leisure centres in Cardiff score less than this average and the average score is masked by high scores at some centres, such as Eastern at 48% and Star at 41%.
- 37 GLL has achieved Quest⁴ entry accreditation across all its centres as prescribed by the Service Specification, and has further assessments programmed in 2019-20. The assessments provide each centre with a detailed account of the strengths and areas for improvement helpful to inform any future changes.
- 38 The Council's Economy and Culture Scrutiny committee has considered the performance of the leisure contract twice since the inception of the contract in December 2016. In December 2017, the committee scrutinised the first year of operation of the contract and then received a presentation from GLL in January 2019. The Cabinet Member for Culture and Leisure attended both meetings to answer questions. The minutes of the January 2019 meeting demonstrate that members considered a wide range of areas, including performance and satisfaction levels as well as sharing concerns expressed by service users about changes to leisure services undertaken by GLL.
- 39 It is positive that the scrutiny committee has been involved in reviewing the service provided by GLL. On both occasions, the Chair of the Scrutiny Committee wrote to the Cabinet Member for Culture and Leisure summarising the committee's findings.

⁴ Quest is a tool for continuous improvement, designed primarily for the management of leisure facilities and sports development. It defines industry standards and good practice and encourages ongoing development and delivery within a customer-focused management framework.

However, the Scrutiny Committee papers considering the performance of the contract in January 2019 did not disclose GLL's operating position or the potential implications of this for the Council. Neither did the covering report refer to Internal Audit's critical report relating to the contract. Therefore, the scrutiny committee was not given the full information to enable members to effectively challenge the service and its sustainability and consider if the contract is providing value for money. Indeed, the Scrutiny committee chair's letter to the Cabinet member following the presentation noted that work is on track for there to be zero subsidy from the Council by 2019-20, and that no new commitments or risks to the Council have been identified.

- 40 We recognise that the contract is in its third year of operation, but it is evident that arrangements are not yet mature enough to provide the assurance needed to determine whether the contract is delivering value for money and maximising its contribution to the achievement of the Council's well-being objectives and the national well-being goals.

Appendix 1

Positive indicators of the Five Ways of Working

The table below sets out 'positive indicators' for each of the five ways of working that we have identified. We have not used the indicators as a checklist. They should be viewed as indicators. They helped us to form conclusions about the extent to which a body is acting in accordance with the sustainable development principle in taking steps to meet its Wellbeing Objectives.

What would show a body is fully applying the long-term way of working?

- There is a clear understanding of what 'long term' means in the context of the Act.
- They have designed the step to deliver the well-being objective/s and contribute to their long-term vision.
- They have designed the step to deliver short or medium-term benefits, which are balanced with the impact over the long term (within the project context).
- They have designed the step based on a sophisticated understanding of current and future need and pressures, including analysis of future trends.
- Consequently, there is a comprehensive understanding of current and future risks and opportunities.
- Resources have been allocated to ensure long-term as well as short-term benefits are delivered.
- There is a focus on delivering outcomes, with milestones/progression steps identified where outcomes will be delivered over the long term.
- They are open to new ways of doing things which could help deliver benefits over the longer term.
- They value intelligence and pursue evidence-based approaches.

What would show a body is fully applying the preventative way of working?

- The body seeks to understand the root causes of problems so that negative cycles and intergenerational challenges can be tackled.
- The body sees challenges from a system-wide perspective, recognising and valuing the long-term benefits that they can deliver for people and places.
- The body allocates resources to preventative action that is likely to contribute to better outcomes and use of resources over the longer term, even where this may limit the ability to meet some short-term needs.
- There are decision-making and accountability arrangements that recognise the value of preventative action and accept short-term reductions in performance and resources in the pursuit of anticipated improvements in outcomes and use of resources.

What would show a body is taking an 'integrated' approach?

- Individuals at all levels understand their contribution to the delivery of the vision and wellbeing objectives.
- Individuals at all levels understand what different parts of the organisation do and proactively seek opportunities to work across organisational boundaries. This is replicated in their work with other public bodies.
- Individuals at all levels recognise the cross-organisation dependencies of achieving the ambition and objectives.
- There is an open culture where information is shared.
- There is a well-developed understanding of how the wellbeing objectives and steps to meet them impact on other public sector bodies.
- Individuals proactively work across organisational boundaries to maximise their contribution across the wellbeing goals and minimise negative impacts.
- Governance, structures and processes support this, as do behaviours.

What would show a body is collaborating effectively?

- The body is focused on place, community and outcomes rather than organisational boundaries.
- The body has a good understanding of partners' objectives and their responsibilities, which helps to drive collaborative activity.
- The body has positive and mature relationships with stakeholders, where information is shared in an open and transparent way.
- The body recognises and values the contributions that all partners can make.
- The body seeks to establish shared processes and ways of working, where appropriate.

What would show a body is involving people effectively?

- Having an understanding of who needs to be involved and why.
- Reflecting on how well the needs and challenges facing those people are currently understood.
- Working co-productively, working with stakeholders to design and deliver.
- Seeing the views of stakeholders as a vital sources of information that will help deliver better outcomes.
- Ensuring that the full diversity of stakeholders is represented, and they are able to take part.
- Having mature and trusting relationships with its stakeholders where there is ongoing dialogue and information is shared in an open and transparent way.
- Ensure stakeholders understand the impact of their contribution.
- Seek feedback from key stakeholders which is used to help learn and improve.



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