

<b>CABINET</b>	<b>DATE</b> 22 July 2020	<b>ITEM NO</b> 11
<b>TITLE</b> RBG's Leisure and Library Partnership (GLL) – COVID-19 support proposals & proposed contract extension	<b>WARD (S)</b> All	
<b>CHIEF OFFICER</b> Director, Communities & Environment	<b>CABINET MEMBER</b> Culture and Communities	
<b>DECISION CLASSIFICATION</b> Key  <i>Non exempt report</i>  <i>Exempt appendices 1, 2, 3 and 4 by virtue of paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended): Information relating to the financial or business affairs of any particular person including the authority holding that information.</i>	<b>IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING?</b> Yes	

## 1. **Decision required**

This report makes the following recommendations to the decision-maker:

- 1.1 To use an Open Book process to agree a financial package of support in favour of the Council's partnership with GLL.
- 1.2 To note the Council's leisure element of the partnership with GLL ("the Leisure Partnership" dated December 2011 and as amended April 2012) has suffered a total loss of income resulting from the immediate closure of leisure centres, libraries and adventure play centres on 20 March 2020.
- 1.3 To support the Leisure Partnership it is proposed to pay the Partnership the legitimate and actual costs to maintain the assets as set out in detail in the exempt appendices 3 and 4 for the period from the 20th March to 30 June 2020 (phase 1a).
- 1.4 To support furloughed GLL staff in the initial closure period by agreeing to top-up the salaries of staff who would otherwise only receive 80 per cent of their salaries under the Government's Job Retention Scheme.

- 1.5 To continue to support the Leisure Partnership contract with full management fee arrangements for the closure period from the 20th March to 30 June 2020 (phase 1a).
- 1.6 To continue to support the Leisure Partnership contract with full management fee arrangements for the anticipated initial recovery and opening phase from 1 July 2020 to 6<sup>th</sup> September 2020 (phase 1b).
- 1.7 To agree that the Council will support the Leisure Partnership in the initial recovery and opening phase (phase 1b) to 6<sup>th</sup> September 2020. To note the upper and lower levels of financial support, as set out in exempt appendices 3 and 4, which are dependent on income levels derived from user levels as well as the extent of the initial opening phase, with actual sums to be met from the council subject to the liability cap (below).
- 1.8 To note that the proposals within this report cap the councils liability at £0.81m, funded from the surplus and that if the situation requires a further investment this will be the subject of a further report and authority in due course.
- 1.9 To agree that the initial proposed financial support package, as set out in the exempt appendices, for the Partnership to 6<sup>th</sup> September 2020 is to be met out of the surplus generated by the Partnership in the last three financial years.
- 1.10 To agree that the support measures will be incorporated, along with other changes, in a new deed of variation to the Leisure Partnership contract and to note that the financial support package will be repaid to the Council through an adjustment to the surplus revenue mechanism.
- 1.11 To agree that the support identified within this report – and the entering into of the deed of variation - is contingent upon the lease for the Greenwich Centre being completed and agreement reached between the parties on Heads of Terms for the lease of the Eltham Centre.
- 1.12 To agree that the deed of variation will also incorporate changes proposed to the contract following negotiations in 2018 including extending the GLL contract to the end of 2031. These changes, including the reduced management fee which will save the Council £0.4m annually, will take effect from 1 April 2018 and are summarised in paragraph 6.10.

1.13 To jointly delegate to the Director of Communities and Environment and the Director of Finance authority to finalise the terms of the deed of variation in accordance with the principles set out in this report.

## 2. **Reasons for Urgency**

2.1 Covid-19 has caused significant upheaval across the UK and globally and will continue to do so even as the government prepares to ease some lockdown rules.

2.2 The Covid-19 pandemic resulted in the government moving the country into a lockdown. The borough and its partner organisations have worked hard to support our local communities, businesses and services in a number of ways including via the Community Hub. Our leisure and library service has been significantly impacted and most GLL staff have been furloughed with only online services currently being run.

2.3 On the 20th March 2020 at 5pm the government issued an instruction as part of the lockdown procedures that all Leisure Centres (and libraries) had to close with immediate effect and the Council issued a formal instruction for GLL to close all 7 of Greenwich's Leisure Centres and all 12 of our libraries. All membership was frozen and GLL, which was already struggling from reduced income from lower usage due to the impact Coronavirus had on user numbers, immediately ceased to have any income. Without the Council's urgent intervention, the Council's Leisure and Library partnership is likely to suffer significant financial harm.

2.4 The proposed support package for the Royal Borough of Greenwich's Leisure Partnership with GLL will not only ensure the preservation of leisure and library services in the borough, once lockdown ends, but it will ensure the Partnership is sufficiently resourced to continue to press ahead with the Council's ambitious plans to support the health and wellbeing of our residents as set out in the 2018-2022 corporate plan. In the 12 months before lockdown there were 2 million visits to the Council's leisure facilities and 2.5 million visits to the Council's libraries.

2.5 In addition, Sport and Physical Activity is at the forefront of Council services and in May 2019 Cabinet formally adopted the Greenwich Get Active Sport and Physical Activity Strategy and Action Plan to help support more of the Borough's 55,000 inactive residents become active.

2.6 This decision is urgent and needs to be made at the 22 July 2020 meeting of Cabinet because it is necessary to mitigate the impact of the Coronavirus

emergency on the Leisure Partnership, the Council's Leisure and Library provider, as quickly as possible, to prevent harm to the organisation and ultimately to the health and wellbeing prospects of our residents.

2.7 Given that the decision is urgent, and cannot be reasonably deferred, the Chair of Overview and Scrutiny Committee has been informed under paragraph D15 of the Overview and Scrutiny Procedure Rules in the Constitution that the decision is to be taken without giving the 28 days' notice for a key decision.

### 3. **Links to the Royal Greenwich high level objectives**

3.1 This report relates to the Council's agreed high-level objectives as follows:

- A Healthier Greenwich
- A Safer Greenwich
- A Great Place to Grow Up
- Economic Prosperity for All
- A Great Place to Be
- A Strong Vibrant and Well-Run Borough

### 4. **Purpose of the report**

4.1 The Covid-19 pandemic resulted in the government moving the country into a lockdown. The borough and its partner organisations have worked hard to support our local communities, businesses and services in a number of ways including via the Community Hub. Our leisure and library service has been significantly impacted and most GLL staff have been furloughed with only online services currently being run.

4.2 The purpose of this report is to: propose a support package for the Royal Borough of Greenwich's partnership with GLL that will not only ensure the preservation of leisure and library services in the borough, once lockdown ends, but it will ensure the Leisure Partnership is sufficiently resourced to continue to press ahead with our ambitious plans to support the health and wellbeing of our residents as set out in the 2018-2022 corporate plan; and address other changes to the existing contractual arrangements the Council has with GLL, in particular extending the term of the contract by 5 years together with consequential changes to the financial arrangements.

4.3 Implementation of the report's recommendations is necessary to mitigate the impact of the Coronavirus emergency on the Leisure Partnership, the

Council's Leisure and Library provider, as quickly as possible, to prevent harm to the organisation and ultimately to the health and wellbeing prospects of our residents.

## **5. Introduction and Background**

- 5.1 The COVID-19 pandemic is having a profound effect upon residents, businesses, staff and wider civil society in the borough and across the world. The first confirmed case of COVID-19 in the Royal Borough of Greenwich was reported at Queen Elizabeth Hospital on 9 March 2020. The Council has taken a wide range of measures to support vulnerable residents and to protect service delivery both now and in the future.
- 5.2 Following the government instruction to lockdown leisure and library facilities on the 20th March the Council's Leisure provider GLL, who are the largest leisure provider in the country with over 50 contracts nationwide, has had no customer income. In Greenwich, GLL has closed all 7 Leisure Centres, the five Adventure Play Centres and all memberships have been frozen. In addition, all 12 libraries have been closed as per government instruction.
- 5.3 The Coronavirus Act 2020, the Health Protection (Coronavirus, Business Closure) (England) Regulations 2020 and the Health Protection (Coronavirus, Restrictions) (England) Regulations 2020 provide the underpinning legal status for the lockdown measures.

## **6. Approach to supporting the Leisure Partnership and contract extension**

- 6.1 To ensure that the Partnership is able to prosper beyond the closure phase and continue to provide Leisure and Library services for the Council, the Leisure Partnership requires a level of financial support to see it through the 'lockdown' and the period beyond whilst the leisure side of the operation is re-energised. Even once opened there are likely to be longer term restrictions due to the need for continued social distancing that will impact on capacity and therefore income levels. Plans are now well developed to facilitate the reopening phase using best practice guidance from both the government and the leisure sector.
- 6.2 This report sets out the recommendations for an emergency support package for RBG's partnership with GLL, which they have formally requested from us (exempt Appendix I), to enable them to manage this period and be able to continue to provide services when restrictions are lifted. The initial period of support is for the 20th March to the 30th June 2020 (phase 1a). However,

GLL have stated that they will require further support for the period following the re-opening of the Leisure centres from 1 July 2020 until 6<sup>th</sup> September 2020 (phase 1b). This support will probably be required for the following 12 months while GLL try to build back up the operation. This latter period will be forecast only once initial resident responses to opening (phase 1b) have been analysed and will be the subject of a further report and authority if required.

- 6.3 GLL has requested that the Council fund reasonable costs for phases 1a and 1b, continue to pay the management fee, to support them by paying the residual costs of managing and maintaining our assets and that we top up the remaining 20% of the staff's salary during the furlough period. GLL have taken measures to reduce costs as much as possible.
- 6.4 GLL has furloughed the majority of their staff, they have turned off what plant they can and shut down the centres. They have retained a small core staff to be able to carry out building and maintenance checks on the centres and there are still utility and standing costs to keep the remaining plant running for the swimming pools.
- 6.5 It is proposed that the Council would use an open book accounting process to agree the actual costs incurred. Some costs in the proposal have been estimated and a reconciliation would occur once actual costs are made available for each month. There would then be an adjustment payment for the difference, either from us to GLL or from GLL to us.
- 6.6 GLL, with agreement from the Council, has committed to paying their staff until the centres open and have used the Government's job retention scheme to fund 80 per cent of the total for wages below the £2,500 cap. It is proposed to recommend covering the costs, from partnership funds, to top up the remaining 20% of salary costs beyond the 80% covered by the Government's coronavirus job retention scheme. This is consistent with our approach to supporting workers on lower wages and it should be noted that GLL senior management have taken a pay cut. The salary calculations taking into account the job retention scheme contributions are set out in exempt appendix 3.
- 6.7 GLL is proposing to manage the impact of the closures by reaching a mutually agreed position with the council using the open book process, which is recorded in a variation to the contract.
- 6.8 The original contract runs to 2026 and as a result of contract negotiations leading to a substantially improved income share and a lower fee it had been

agreed subject to contract to extend the contract to December 2031 pending negotiation of the final details. A Director's report dated April 2018 approved the principles of the new deal and extension. This report is asking for Cabinet approval of the contract change and extension given the significant change in circumstances since the original negotiations.

- 6.9 The deed of variation negotiations have mostly now been concluded and it is proposed that the deed will cover both the extension and other changes originally proposed in 2018 as well as the financial support package arrangements.
- 6.10 The key proposed changes contained within of the new deed of variation are as follows:-
- Reflect key changes in service provision such as the removal from the current agreement of now closed facilities, namely Plumstead Warehouse, the Arches Leisure Centre, the East Greenwich Library and Southmere Boating Centre
  - the addition of The Eltham Centre, The Greenwich Centre and Sutcliffe Park Sports Centre
  - that the new Woolwich Leisure Centre will be managed on the Council's behalf by the Leisure Partnership
  - reduction to the annual management fee payable by the Council
  - changes to the surplus share arrangements
  - the extension of the Leisure Partnership by five years to 2031
  - the creation of an annual service improvement development fund and a renewed sport development service
  - the establishment of a joint management post, the terms of which are to be agreed
  - the creation of a partnership resource to provide technical expertise on building repair, maintenance and programme issues
  - agree the signing of the remaining leases on the Council's leisure centres
  - set out the mechanism for the repayment by GLL of the recoverable grant which is proposed to be paid by the Council to GLL for the purposes of managing the income loss created by the impact of the Covid-19 pandemic.
- 6.11 The Council and GLL have agreed new provisions to be contained within the Deed of Variation that will allow for the repayment of the financial support package. Details are contained within exempt appendix 4.

## 7. **Approach to a support package**

- 7.1 London Boroughs with GLL contracts have been meeting regularly to discuss the core issues around developing local support packages.
- 7.2 The Government has issued a Procurement Policy Note (PPN) to provide guidance to Councils on how to support suppliers during this crisis, which GLL are seeking to use as the principle basis of working together to manage the financial impact.
- Procurement Policy Note 02/20: Supplier relief due to COVID-19
  - Guidance notes on model interim payment terms: Procurement Policy Note 02/20.
- 7.3 Exempt appendix 4 details the commercial and financial details.

## 8. **Available Options**

- 8.1 Option 1 – to agree to the phase 1a and phase 1b support packages for the Leisure partnership and that it be paid via the surplus share generated over the last three years.
- 8.2 Option 2 – to make a more limited contribution including not paying the 20 per cent salary top up for furloughed GLL staff.
- 8.3 Option 3 – to provide support for the closure period but not once the service has reopened.
- 8.4 Option 4 - to not make any contribution.

## 9. **Preferred Option**

- 9.1 Option 1 is preferred.

## 10. **Reasons for Recommendations**

- 10.1 Option 1 is recommended for the following reasons:
- financial support is the best means to ensure that the GLL partnership is able to re-open leisure facilities during an uncertain period
  - it ensures that the partnership suffers no financial loss
  - Option 1 provides at least some access to leisure opportunities for all communities across the borough once opening has been permitted



- the open book arrangement provides full transparency and any over payment will be repaid against actual costs
- there is unlikely to be any cash payment from RBG as the recoverable grant will be paid for from previous years' surplus share profits
- the grant provided by the Council will be recoverable against any future partnership surplus.

## 11. **Next Steps: Communication and Implementation of the Decision**

- 11.1 Once the decision has been made it is essential that a marketing plan is put in place to establish that the reopening of leisure and library facilities will be conducted in a COVID-19 secure manner and will closely follow government guidance and best practice.
- 11.2 The marketing plan will also need to ensure that residents are informed about the new operating methods for each of the facilities as capacity is likely to be reduced.

## 12. **Cross-Cutting Issues and Implications**

- 12.1 The GLL partnership in Greenwich supports most of the Council's objectives and this funding will enable it to continue to do so while focussing on recovery planning.

Issue	Implications	Sign-off
<p><b>Legal</b> including Human Rights Act</p>	<p>Contracts Standing Order 28 provides that contract variations of the type referred to in this report are to be approved by the relevant Chief Officer. However, given the nature of the contract and the values involved it is appropriate that the Leader, in accordance with Part 3(b) "General Principles" of the Constitution, delegates the decision instead to Cabinet.</p> <p>The Council has powers contained in section 1 Localism Act 2011, the general power of competence, and/or section 111 Local Government Act 1972, the power to do anything that facilitates or is conducive to the performance of a function to vary the terms of this</p>	<p>John Scarborough, Director of Legal Services, 14 July 2020</p>

	<p>agreement and in so doing, provide financial support to GLL in the course of the Covid-19 pandemic.</p> <p>Regulation 72 of the Public Contracts Regulations provides that a contracting authority (the Council here) may vary the terms of a contract in circumstances where the proposed changes are not substantial or where the need for the modification has been brought about by circumstances which a diligent contract authority (the Council) could not have foreseen. Given the circumstances and the nature of the proposed changes, the contract variations first approved in 2018 and the changes proposed in 2020, taken together, are either not believed to constitute a substantial change to the Contract or arise in circumstances that could not have been foreseen.</p> <p>State aid law provides that State resources (e.g. grants, loans etc.,) if provided to an undertaker operating in a market, may constitute unlawful State aid. GLL is a market operator for these purposes. The EU has granted approval to a number of schemes (for State aid purpose) allowing Members States (which includes the UK during the Brexit transition period) to provide grants and support to businesses due to the economic consequence of the Covid-19 pandemic under the UK Corona virus Umbrella Scheme. The support to GLL in the form of a recoverable grant will constitute State aid. The Council will need to ensure that the terms of the Umbrella Scheme are complied with or that the funding is otherwise compliant with State aid requirements.</p>	
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	There are no Human Rights implications arising from the proposed decision.	
<b>Finance</b> and other resources including procurement implications	<p>Approval is sought to provide support package to GLL to assist the partnership with cash-flow implications arising from Covid-19.</p> <p>Recommendations set out in the report cover the initial phase of Covid-19 lockdown (Phase 1a), which saw the temporary closure of all GLL operated Leisure and Library facilities, through a phased reopening period (Phase 1b)..</p> <p>The report notes that the cash-flow facility will be made by way of a recoverable grant, repayable through an amendment to the surplus share within the existing Leisure and Library Contract. Surplus' on this contract are not guaranteed and the long-term impact of Covid-19 on the wider leisure industry coupled with other factors influencing contractual performance places the full recover of this grant at risk.</p> <p>The extension of the contract period, as noted within the report, provides a longer period over which the grant may be recovered. The grant available under this report is to be capped at £811,923, being the value of surplus held by GLL, and therefore limits the financial exposure to the Council. The surplus share has yet to be accounted for within the Councils accounts; therefore, there are no revenue implications from this funding proposal, save for any forgone future investment returns.</p> <p>Costs arising under phase 1b may give rise to a future funding requirement, being the difference between the upper</p>	<p>Michael Horbatchewskyj Accountancy Business Change Manager (P&amp;I) 14/07/20</p>

	<p>forecast for phases 1a and 1b and the surplus share held by GLL on behalf of the Council. Funding for this element has yet to be identified and should those costs materialise, will be subject to a future decision report.</p> <p>The financial implications arising from the changes to the contract, which provide an on-going revenue saving of £400,000 per annum is set out in previous reports.</p>	
<b>Equalities</b>	<p>The Council's leisure and library partnership with GLL provides services for the entire population of Greenwich. However, it also provides services designed to meet the needs of those who are vulnerable or who may have protected characteristics. A support package that permits GLL to reopen and maintain these services furthers the Council's public sector equality duty as well as Council objectives in furtherance of Health and Wellbeing.</p>	<p>Takki Sulaiman Assistant Director – Communities, Culture and Corporate Development 15 June 2020</p>

### 13. **Report Appendices**

13.1 The following exempt appendices form part of the report:

- Appendix 1: Initial partnership discussion document (April 2020)
- Appendix 2: Greenwich Partnership initial Trading Impact Assessment (updated July 2020)
- Appendix 3: RBG COVID-19 financial summary (updated July 2020)
- Appendix 4: Details of commercial arrangements and financial support

### 14. **Background Papers**

None

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