

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 5 DECEMBER 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

LEISURE SERVICES REVIEW

1 Executive Summary

1.1 A Management Agreement was set up between Welwyn Hatfield Borough Council and Welwyn Hatfield Leisure Limited (who trade as 'Finesse Leisure') in January 2004 with a term of twenty five years to run the following health and leisure facilities on behalf of the council:

- Hatfield Leisure Centre
- Hatfield Swim Centre
- Panshanger Golf Complex
- Stanborough Park
- King George V Park
- Digswell Playing Field
- MoneyHole Lane Playing Field

1.2 In recent months, Finesse Leisure carried out a Corporate Strategy review and agreed the key objective to be more financially sustainable. They also commissioned an independent feasibility study around the options of partnering with GLL with a key aim to deliver a sustainable financial operation, and to reduce the financial subsidy currently paid by the council in these challenging financial times.

1.3 The purpose of this report is to set out Finesse Leisure's recommendation from their corporate strategy review, which will deliver substantial savings to the council going forward.

2 Recommendation(s)

2.1 That subject to formal agreement by the management board of Finesse Leisure and Greenwich Leisure Limited (GLL), to proceed with the merger between these two organisations, Cabinet agree to novate the council's management agreement with Finesse Leisure for the operation of the health and leisure facilities, to GLL from April 2018;

2.2 That subject to the agreement of paragraph 2.1 above, Cabinet agree for the Corporate Property and Legal team to prepare the necessary legal

documentation to enable the relevant leases held by Finesse Leisure to be assigned to GLL;

- 2.3 That Cabinet note the level of savings, as set out in the exempt report, in the management fees from 18/19 onwards and that they will be built into the Council's budget setting process.
- 2.4 That Cabinet agree to give delegated authority to Executive Director (Resources, Environment and Cultural Services), in consultation with Executive Member (Policy and Culture) and, if relevant, the Monitoring Officer to agree any relevant changes that would be necessary in the management agreement and also to agree any other documents associated with the merger of Finesse Leisure and GLL that would impact on the council.

3 Explanation

- 3.1 Finesse Leisure was set up to operate a number of leisure facilities on behalf of the Council from January 2004 for a period of 25 years. The arrangements for the provision of these services were set out in the management agreement, which include how the management fee is calculated on an annual basis. In addition, there are leases assigned to Finesse Leisure which set out their obligations on each facility.
- 3.2 It is clear that the climate of public expenditure is now very different from when Finesse Leisure was formed in 2004. Pressures on the council through declining funding from central government and increased capital maintenance costs have forced the council to maximise the level of efficiencies from all of our service providers.
- 3.3 Finesse Leisure is a relatively small leisure trust and is disadvantaged in terms of competing successfully to win contracts. They would struggle to reduce the management fee without impacting on service delivery.
- 3.4 Consequently, Finesse Leisure carried out a corporate strategy review and commissioned an independent feasibility study, which examined ways to deliver a sustainable financial operation through joint working with other leisure trusts/providers, with the ultimate aim of reducing the level of management fees payable by the council going forward. Their board recommended that they began discussions with the UK's largest leisure charitable social enterprise, Greenwich Leisure Limited (GLL), to consider opportunities, benefits of merger as well as going through the due diligence process.
- 3.5 GLL was formed in 1993 and is now the UK's largest provider of leisure services within the charitable social enterprise sector. The company operates 275 leisure and cultural facilities nationwide through a growing network of regional hubs operating diverse services across a variety of health, fitness, sport, libraries, gyms and tennis centres. They employ around 12,000 members of staff and have a turnover of approximately £275m in the current year. It is important to note that GLL acquired Gosling Sports Park in June 2016 and therefore they are already a leisure operator in the Borough.
- 3.6 Finesse Leisure's Board were particularly keen to explore possible engagement with GLL not just because of their size and expertise in the industry, but also because of the close alignment between GLL's community-focused corporate

values and those of Finesse. The other key benefits emerging from the discussions held between Finesse, GLL and the Council are highlighted below:

- Significant savings over the lifetime of the remainder of the contract.
- Finesse's net assets at the point of transfer (to an agreed amount), will be ring-fenced solely for reinvestment in Welwyn Hatfield and that a local forum will be created to advise on the use of this fund. The Council is expected to be invited to join the local forum at a future date;
- Ongoing efficiencies through access to GLL's national procurement team;
- Greater resilience and risk absorption;
- Continuation of community programmes currently delivered by Finesse (e.g. Disability Hub and Shapemaster);
- Allowing customer access to GLL national estate;
- Regional leadership team and office based locally in Welwyn Garden City supporting wider GLL business;
- Access to GLL College and apprenticeship programmes;

3.7 In operational terms this means that the Finesse Leisure brand will no longer be seen at the council's facilities and once the merger is complete GLL branding will be seen across the Borough's leisure sites, for the remainder of the current contract period up to 2029. In terms of service, GLL would continue to be required to provide the services in full accordance with the management agreement. Overall customers will see no change to the services which they currently enjoy and they will benefit from the ability to use other GLL sites across the country if they hold a membership.

3.8 Following the merger, it will still be the requirement for GLL representative(s) to attend Social and Overview Scrutiny Committee quarterly and report their operating performance accordingly, which is the same process that currently applies to Finesse. However it should be noted that the Council will no longer have any Members attending GLL's Board meetings as observers in the future. It is important to note that the council's control over GLL will be predominantly exercised via the management agreement and other supporting documents as per the current situation with Finesse. Regular contractual monitoring meetings will take place between officers from the council and GLL going forward.

3.9 In terms of timeline, the following table summarises the key events over the next few months:

Date/Month	Event
27 th Nov 2017	Approval of the merger by Finesse Board Members, subject to Welwyn Hatfield Borough Council's approval
5 th Dec 2017	Approval by Cabinet (Welwyn Hatfield Borough Council) to novate the management agreement and assign the leases to GLL, subject to GLL's Board approval
19 th Dec 2017	Approval of the merger by GLL Board
Jan – March 2018	Novation of management agreement, assignment of leases to GLL, implementation of GLL's mobilisation plan etc
April 2018	Completion of merger between GLL and Finesse and that it would trade as GLL across the council owned leisure facilities site

- 3.10 Overall, the merger will lead to a situation in which Council leisure services will be provided by a major operator with a significant position in the market, which it is argued will make leisure services within the Borough more resilient to economic and financial pressures.

Implications

4 Legal Implication(s)

- 4.1 The existing Management Agreement/ relevant leases with Finesse will need to be novated/assigned to GLL should the merger be agreed by all parties.
- 4.2 Further legal implications which are exempt information are detailed under Part II of this report.

5 Financial Implication(s)

- 5.1 **Capital investment** – under the obligations set out in the current management agreement and leases, the council would still have landlord responsibilities over the fabric of the building and other items set out in the management agreement and leases and they will continue after the merger. In general terms, the current obligations are:
- If the cost of repair is less than 60% of the replacement cost and that it is below £15k, Finesse picks up the cost of the repair
 - If the cost of repair is 60% or more of its replacement cost, and/or the cost of repair is greater than £15k, there will be a capital funding request made to the council. It is important to note that the council do not have any obligations to automatically grant the funding request, we will consider it on a case by case basis, taking into account budgetary restrictions.
- 5.2 It is envisaged that a condition survey will be carried out on all of the sites so that GLL could implement a better repairs and maintenance programme, in order to minimise the call on the council's capital resources.

5.3 Further financial implications which are exempt information are detailed under Part II of this report.

6 Risk Management Implications

6.1 GLL not agreeing with the merger at their Board meeting in December. Likelihood Low, Impact medium.

6.2 The quality of service provided on the council's leisure sites deteriorate after the merger. Likelihood Low, Impact medium.

6.3 Lack of knowledge transfer from Finesse and GLL. Likelihood Low, Impact Low.

7 Security & Terrorism Implication(s)

7.1 There are no security or terrorism implications

8 Procurement Implication(s)

8.1 Procurement implications which are exempt information are detailed under Part II of this report

9 Climate Change Implication(s)

9.1 There are no direct climate change implications to consider.

10 Link to Corporate Priorities

10.1 The subject of this report is linked to the following Council's Corporate Priorities:

- "Maintain a safe and healthy community"; and
- "Engage with our communities and provide value for money"

11 Equality and Diversity

11.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the recommendations in this report as the obligations for equality and diversity will remain unchanged should the recommendations be agreed.

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