European Services Strategy Unit
(Continuing the work of the Centre for Public Services)

UNISON Barnet

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Briefing No. 9
One Barnet Programme
Greenwich Leisure contract to be reviewed

Barnet Council commenced a 15-year Leisure Services partnership/contract (annual value £1.7m) with Greenwich Leisure Ltd (GLL) on 1 January 2003. It is now considering terminating the contract.

This is a story of mismanagement of a single service contract that again exposes the high-risk strategy and assumptions proposed by the One Barnet model. Meanwhile, the Council is at the procurement stage of several multi-service, multi-million pound, long-term contracts that are up to 50 times the value of the leisure contract!

GLL manages Copthall Swimming Pool, Hendon Youth Sports Centre, Barnet Burnt Oak Leisure Centre, Finchley Lido, Church Farm Swimming Pool, Queen Elizabeth Leisure Centre (dual use), Compton Leisure Centre (dual use) and Copthall Athletics Stadium.

GLL won the 2011 Social Enterprise Mark Holder of the Year from the Social Enterprise Coalition. In practice, GLL is a leisure contractor and has employment policies similar to other private contractors.

Failure to manage risks

The Council's 2009/10 Internal Audit Annual Plan included a *"…systems review of monitoring and price approval arrangement to ensure effective delivery of expected outcomes through the Leisure Partnership"* with Greenwich Leisure (Report to Audit Committee, 10 March 2009).

Fifteen months later, the Internal Audit Annual Report included a list of Audit Opinions on 2009/10 completed audits. Leisure Management was given a **'No' Assurance**, which is the lowest category of opinion and indicates that there is no assurance that the original objectives from the arrangements in the Leisure Partnership will be met (Report to Audit Committee, 21 June 2010).

Nearly **nine years after** the contract commenced a further report to Audit Committee in 2011, on the follow up of Priority 1 recommendations contained in the 2009/10 audit, made a series of revelations, including **management's failure** to implement audit recommendations.

The reported Priority 1 risks below are followed by management's response:

> **Risk: Strategic Service Delivery**
>
> ***"There is a risk that the partnership may not be in line with or meeting Council strategic objectives which may lead to value for money not being achieved and a lack of clarity on the financial approach adopted by the service provider."***
>
>> *"A Partnership Board (consisting of LBB and GLL officers) will be set up to provide a high level forum to discuss strategic issues on a quarterly basis."*
>>
>> *"The partnership review will provide further opportunity to clarify strategic issues such as Closed Book approach etc."*

Risk: Operational Service Delivery

"There is a risk of inappropriate or untrained staff being employed; poor equipment, facilities, support services (e.g. food/cafes) being provided which may compromise health and safety of customers leading to potential legal challenge and reputational damage."

> *"A risk log will be drawn up alongside the Action Plan to enable activities to be prioritised and monitored accordingly."*

Risk: Performance Management

"There is a risk of poor decision making and financial loss if poor performance of the contractor (and therefore service delivery) is not identified or rectified."

> *"Key Performance Indicators will be established, monitored, validated where necessary and reported regularly. Poor performance will therefore be identified and rectified."*

Risk: Invoice Payments

"There is a risk of financial loss if inappropriate invoices are paid."

> *"Copies of the variation orders have been requested from GLL and further clarification is being sought to confirm the management fee/variation orders/BAFO calculations to enable enhanced validation of invoices."*

Failure of long-term contracts

In July 2011 the Council **transferred £500,000** from the Contingency budget to Environment & Operations to fund budget pressures in Leisure Services. Now the Council is negotiating terms to terminate the contract with Greenwich Leisure. The planned reductions of £1.2m and £733,000 in the 2011/12 and 2012/13 respectively in the Leisure budget *"…are not achievable due to the contract management fees payable to GLL."*

This scale of cuts will decimate leisure services in Barnet.

External lawyers examined the contract and Council proposals for varying the contract. They advised the Council that this would be a material change and would therefore have to **terminate** the contract under EU procurement law (Report to Cabinet Resources **27 September 2011**). A review of leisure Services has commenced with an options appraisal, proposals and consultation planned for 2012. Who is paying for this, the council or GLL? What are the costs?

The Council and GLL's claim to be in a 'partnership' is misleading. It is a long-term contract and provides further evidence that long-term contracts for public services do not work. The Council loses flexibility, management of its assets, the ability to adapt to changing needs and circumstances and to plan for long-term leisure needs of the community.

Ultimately, the Council will either have return the service in-house or waste more money on another costly procurement process.

Failure to invest in leisure facilities

There is another problem – the Council's failure to invest in leisure facilities has forced it to admit: **"With an ageing stock of leisure facilities and no long term investment plan the cost of repairs to the Council could increase year on year"** (Report to Cabinet Resources 27 September 2011).

In a report to Culture, Community Engagement, Equalities and Human Resources Overview and Scrutiny Committee, 15 December 2004, it stated quite clearly:

“8.3 It was identified as an action, following the Best Value Review, that there was a need for increased investment within the Council owned leisure facilities. Greenwich Leisure Limited have already invested heavily since January 2003 by:

• An investment of over £2,000,000 in capital works since becoming the Council’s partner with an expected £800,000 more in 2005.

• Committing themselves to spend heavily on a planned preventative maintenance schedule which is designed to enhance all the facilities.

• Providing many components to the preventative maintenance schemes which have ‘added value’ to the contract at no extra cost to the Council”

There are a number of critical key questions for Councillors that arise from this situation:

1. Was there an expectation when the contract was set up that Greenwich Leisure would ensure adequate maintenance of the leisure facilities stock to last the lifetime of the contract?
2. Did GLL spend the allocated money on planned maintenance?
3. What was the annual cost of variation orders issued on this contract since January 2003?
4. Has this programme of work been audited and scrutinized?
5. If it was inadequate or ineffective, what remedial action was taken?
6. What is the current condition of the Council’s leisure facilities?
7. What has been the total cost of this contract to date?

Failure to manage the contract undermines democratic accountability

The cumulative effect of the failure to manage the risks and to effectively manage the contract culminated in the fundamental shortcomings described above. They are a failure of democratic accountability. Elected Members have failed to ensure that contract performance was properly audited, scrutinised and managed. Senior managers failed to fulfil their responsibilities to fully audit and manage the contract.

The Council has spent at least **£15.3m** on this contract since January 2003. The contract is likely to be terminated six years early. The catalogue of mismanagement does not auger well when the Council is currently in procurement for contracts that are up to **50 times** the value of the leisure contract! (the estimated value of the regulatory services contract is £270m-£290m and the customer services and support services contract is £600m-£750m).

Failure of One Barnet

The systemic failures in the management of this contract are graver and not dissimilar from those exposed in the MetPro security contract, but on a larger scale and extending over a much longer period.

These reports provide conclusive further evidence of Barnet Council’s appalling procurement and contract management track record. Nine years into the contract there was:

- **Poor financial controls**
- **No Partnership Board**
- **No effective contract management**
- **No proper risk assessment**
- **No key performance indicators or targets**
- **No checking of management fee/contract variations from GLL**
- **Decline in the condition of the Council’s leisure assets**

Barnet Council’s catalogue of contract management failures on relatively small contracts has grave implications for the large multi-million One Barnet contracts currently in procurement.

References

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London Borough of Barnet (2011) *Audit Recommendations – 2009/10,* Report to Audit Committee, 17 February.