

## Overview & Scrutiny Committee

Wednesday 3 March 2021

6.30 pm

Online/Virtual. Members of the public are welcome to attend the meeting. Please contact [FitzroyAntonio.williams@southwark.gov.uk](mailto:FitzroyAntonio.williams@southwark.gov.uk) for a link to the online meeting

## Supplemental Agenda No. 1

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7.	<b>GATEWAY 0 - APPRAISAL OF MANAGEMENT OPTIONS FOR LEISURE CENTRES</b>	1 - 23
	To receive the Gateway 0 report on appraisal of management options for leisure centres due to be considered by cabinet on 9 March 2021.	
	Note: The cabinet agenda for 9 March is due to be published on Monday 1 March 2021. The report for this agenda will be published on that date.	

### Contact

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Date: 1 March 2021

<b>Item No.</b> 16.	<b>Classification:</b> Open	<b>Date:</b> 9 March 2021	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 0 - Appraisal of management options for leisure centres	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Councillor Catherine Rose, Leisure, Environment and Roads	

## **FOREWORD – COUNCILLOR CATHERINE ROSE – CABINET MEMBER FOR LEISURE, ENVIRONMENT AND ROADS**

The outbreak of the COVID-19 pandemic and the resultant imposition of lockdowns have had a fundamental impact on the operation and financial performance of the sports and leisure sector in general, and therefore on the council's leisure facilities.

The council now has the opportunity to think creatively about how to deliver leisure services beyond June 2023, redesigning services to better serve residents. It's important that the spaces in Southwark leisure centres are fully utilised by the community and those who may not typically access a leisure centre are encouraged to do so.

This report sets out our future intentions for the delivery of our leisure services. The Council has a preference for in-house services and there is a clear intention and plan within this report to have direct responsibility over the management and operation of its leisure facilities and services. We are setting out a process that provides stability to the current service and all those that work hard to deliver the current leisure offer and services. Our commitment to staff and all our residents remains at the forefront of our approach until 2023 and will underpin the strategy for the service going forward.

This would enable the leisure service to be fully responsive to council priorities and would provide opportunities to work closely across council departments to deliver strategic outcomes in a more innovative and joined up way – linking the provision of leisure services with other council and partner services.

I'm excited about the potential for a directly delivered service that will provide our borough with an enriched sports, exercise and leisure offer. Our driving ambition is to deliver a world class leisure service and facilities for all.

## **RECOMMENDATIONS**

That cabinet:

1. Notes that the council's current contract with Sport & Leisure Management Limited (SLM) ends in June 2023 and this provides the council with the

opportunity to consider a new and more effective delivery model for its leisure service.

2. Notes the outcome of the leisure service strategic options assessment which demonstrates that insourcing, outsourcing or creating a Local Authority Controlled Company (LACC) are all reasonable management options for the council to consider.
3. Notes that insourcing the leisure service is currently the preferred option in that it addresses a number of key drivers for change, and provides the council with a range of benefits, as detailed in paragraphs 12 – 19 of this report.
4. Notes the associated advantages and risks with insourcing the leisure service, as detailed in Tables 4 and 5.
5. Notes that the recruitment of an experienced Programme Manager is required on a fixed term basis to implement the planning, and oversee the delivery, of the next steps of the preferred in-house option. In addition a strategic outcomes planning strategy is needed which will be undertaken by an external consultancy.
6. Requests that, subject to the approval of the recommendations in this Gateway 0 report, a Gateway 1 paper is brought to cabinet in autumn 2021 to seek approval to a proposed insourcing strategy which will include a detailed programme and implementable plan to bring the leisure service in-house.

## **BACKGROUND INFORMATION**

7. On 21 June 2016 the council entered into a seven year contract with an option to extend for a period or periods of up to a further seven years at the council's discretion with Sport & Leisure Management Limited (SLM) for the management of the council's eight leisure facilities and for the operation of the sports booking service. SLM operate under the name of Everyone Active (EA).
8. Before the COVID-19 pandemic began the leisure contract was performing well operationally but was not achieving the expected income levels for various reasons such as the impact of budget gyms and the success of the Free Swim and Gym Scheme. Both the council and SLM were in discussion at that time about the best way to address this.
9. On Friday 20 March 2020 the Government instructed that all public leisure centres should close the following day for public health reasons in relation to the coronavirus pandemic. A series of support packages have subsequently been agreed to ensure that leisure centres can open as restrictions have allowed.
10. In October 2020 Cabinet agreed to continue in contract with the council's leisure management contractor, SLM for cost and timing reasons from 1 April

2021 until the end of the contract in 2023. The cabinet also gave approval to enter into negotiations and agree a contract variation with SLM for financial support, in order for the council to fully evaluate the options available to it when the current contract ends in June 2023.

11. As all options available to the council require significant lead in times, it was agreed that a paper would be brought to the cabinet in March 2021 on the recommended option for the future delivery model for leisure. Officers, with the support of an external consultancy, which specialises in sport and leisure services, have carried out a comprehensive management options appraisal to aid the council in its decision on the future of the leisure service.

## **KEY ISSUES FOR CONSIDERATION**

### **The key drivers for change**

12. The outbreak of the COVID-19 pandemic and the resultant imposition of lockdowns have had a fundamental impact on the operation and financial performance of the sports and leisure sector in general, and therefore on the council's leisure facilities. SLM have understandably been unable to generate pre-COVID-19 levels of income from Southwark leisure centres and have required significant financial support to keep facilities open. In addition, prior to the COVID-19 pandemic, although the leisure contract was performing well operationally, it was not achieving its expected income levels. One of the key perceived advantages of outsourced leisure management arrangements had been the transfer of significant financial risk. However, this has proved not to be the case as a result of COVID-19 and has contributed to a desire for a new management model.
13. The council has a preference for in-house services wherever possible and there is a desire to have direct responsibility over the management and operation of its leisure facilities and services. This would enable the leisure service to be fully responsive to council priorities and would provide opportunities to work closely with other key council departments to deliver strategic outcomes in a more innovative and joined up way – linking the provision of leisure services with other council and partner services. The ability to manage facilities and services that are not necessarily commercially attractive, but which may maximise opportunities for residents across the borough, is also a key consideration when reviewing the future of the leisure contract.
14. The council now has the opportunity to think creatively about how to deliver leisure services beyond June 2023, redesigning services to better serve residents. It's important that the spaces in Southwark leisure centres are fully utilised by the community and those who may not typically access a leisure centre are encouraged to do so. This could be facilitated, for example, via a new health and wellbeing offer in which leisure centres are transformed into 'health hubs' offering a range of services from mental health support to healthy eating sessions.
15. Due to the impact of COVID-19, the health and wellbeing of Southwark

residents has never been so important. It is vital that as the country emerges from the pandemic, leisure services are prioritised.

16. The pandemic has undoubtedly had a disproportionate impact on the health and wellbeing of BAME communities which must be addressed as part of any new leisure service. Southwark stands together is a borough wide initiative in response to the racism and injustice experienced by Black Asian and Minority Ethnicity (BAME) communities and to the inequalities exposed by COVID 19. Surveys and public listening events have been held where these health inequalities have been highlighted.
17. The council's has committed to tackling this issue and has stated in the Fairer Future commitments: 'The disproportionate impact of COVID-19 has shown clearly that breaking down barriers that prevent people from living a healthy life must include tackling health inequalities that affect different communities. We're committed to closing the gap in health inequalities and tackling health issues that particularly affect our Black, Asian and minority ethnic communities.'
  - The council wants to reduce health inequality so that whatever your background you can live a healthy life.
18. The council also aspires to deliver a cost neutral leisure service. The aim is that the income from the new leisure service would cover all operational costs whilst delivering a range of services for residents.
19. In summary, a new leisure service management model is required to:
  - Ensure the council can provide leisure facilities and services according to its priorities, maximising opportunities for residents
  - Ensure the health and wellbeing of residents is prioritised as we emerge from the pandemic, especially those from BAME communities
  - Work innovatively with key departments and divisions across the council, and with partners, to provide excellent services for residents most in need
  - Minimise the immediate financial impact of the delivery of services

### **Current service arrangements**

20. In 2016 SLM was awarded the contract for the management of the following leisure facilities:
  - Camberwell Leisure Centre
  - Dulwich Leisure Centre
  - Peckham Pulse Healthy Living Centre
  - Seven Islands Leisure Centre
  - Southwark Athletics Centre
  - Surrey Docks Water Sports Centre
  - The Castle
  - Geraldine Mary Harmsworth Sports Facility

21. Included in the services to be provided is the management of the booking systems and services for all of the centres listed above as well as those listed below:

- Belair Park
- Dulwich Park
- Honor Oak Sports Ground
- Peckham Rye Park
- Southwark Park
- Tabard Gardens

22. As part of SLM's contract they deliver the free swim and gym offer which provides:

- Free swim and gym for all residents and council staff all day on Fridays and Saturday/Sundays from 14:00hrs to close, at all centres.
- The swimming includes general/lane swimming and age related swim sessions (child and adult go free).
- The gym includes junior gym sessions for 14-15 year olds at specified times and free access to residents aged over 16.
- Over 60s residents access to the current Silver programme for free. These are various swimming, gym and classes that operate at different times during the week.
- Free swim and gym throughout the week for those on the GP physical activity referral scheme including Kickstart; and the NHS Health Checks Programme
- Free disabled access to the gym and swimming pool all week.
- Free swimming lessons for residents who are non-swimmers and aged 16 or over.

### **Benchmarking and soft market testing**

23. A review of the impact of the COVID-19 pandemic on the local authority leisure market has been undertaken:

- 32 of the 33 London boroughs outsource leisure facility management. One borough manages an in-house service.
- A total of eight leisure management contractors had a presence in London; however GLL/Better (operating in 14 boroughs), Everyone Active (9 boroughs) and Fusion Lifestyle (5 boroughs) are the only organisations to have more than two contracts. Some boroughs have two operators delivering services in their boroughs.

24. The review highlighted that the financial challenges created by the pandemic and faced by the council and SLM since March 2020 are being faced by almost every local authority and leisure operator in the UK. In addition, the council's acceptance of some contractual liability for the net costs of services through both the periods of enforced closure and the associated business recovery phases is similar to the approach of the vast majority of local

authorities across the UK.

25. The significant financial challenges on the council's leisure contract forfeiture of an anticipated management fee payment and the net losses at the leisure facilities – are common to many other local authorities, including most London boroughs.
26. It also appears that SLM's management of the leisure facilities and (projected) financial performance of those facilities in 2020/21 is broadly in line with the levels of performance and, income recovery seen by many council leisure facilities across the UK.
27. The level of financial impact involved and the uncertainty of when that financial impact might end, means that many local authorities have started to consider radical solutions including facility closures and changes to established management arrangements. Whilst there are, to date, only a small number of examples of local authorities actually changing their management arrangements, the anticipation is that this number is likely to increase through 2021, with consideration of management options, coupled with facility reviews to deliver affordable and sustainable services.
28. The leisure sector as a whole faces an uncertain future. The impact of Covid may well change the sector significantly, after a period of time which has seen the rise of budget gyms and a more competitive market. Consumer choice, and the economy, will also be significant factors.

### **Strategic service delivery options and assessment**

29. Officers have, with assistance from an external leisure consultancy, who specialise in sport and leisure services, carried out a comprehensive management options appraisal to aid the council in its decision on the future of the leisure service. The appraisal considers and evaluates the following management options:
  - 1) Outsourcing of service – via a competitive procurement process.
  - 2) Insourcing – direct delivery by the council - transfer back to in-house management after a previous outsourcing arrangement
    - The council has direct responsibility for the management and operation of the site and the facilities and services located within it.
    - The council retains all income and expenditure and control over the service.
    - Any staff employed in the day to day operation of the facilities and services are employed by the council (where specialist services are required this may be outsourced or use existing council contractors such as facility maintenance).
    - Services use the central support services of the local authority.
    - Operating risks of the services remain with the local authority – e.g. responsible for under performance.

- In the event that the service is being taken back in-house after a previous outsourcing arrangement, there would be set up costs and timescale implications that would need to be established.

3) Set up a new organisation (Leisure Trust) – A non-profit distributing organisation (NPDO) is a form of business structure where, although profit is still sought, any profit is reinvested in services at arms length.

- A council would help establish an independent company or organisation (subject to legal advice being taken) to take on the operation and management of the leisure services through leases and grant funding arrangements.
- Often set up to be bespoke to an individual authority, aligned to the community needs at the time of inception to deliver local outcomes.
- Some Local NPDO trusts do operate other facilities beyond the local authority borders of their host client. Some of these larger Trusts are running multiple operations and securing contracts in open competition.
- Normally recognised by the Charities Commission.
- Tend to be independent from the council and any trustees would be required to act in the best interests of the new company and not the council.

4) Local Authority Controlled Company (LACC) - 'arm's length' organisation.

- Local authority must control all of the shares in the LACC and must also exercise effective day-to-day control over its affairs
- At least 80% of the activity of the LACC (over 80% of its turnover) must be for its public-sector owners.
- This model cannot significantly scale and replicate its service beyond the borders of the local authority in the way that a NPDO Trust is able to do.
- Where a council owns the company, it cannot be a charity although it may have charitable objectives.
- The council retains control over the service and ultimately, carries all the risk.

30. It should be noted that the council has also been in explorative discussions with other boroughs about the potential opportunities to work together to deliver a shared leisure services. These conversations are currently ongoing and will be considered as part of the Gateway 1 report in autumn 2021.

### **Recommended option**

31. Based on the information and details outlined in the report, all options are viable, but the current preferred option for future delivery is option 2: insourcing - direct delivery by the council – on account of its flexibility, ability to join up services across the council, and its fit with the council's values and priorities for residents and its workforce.

32. As noted in the evaluation results set out below in table 3, the management options appraisal concluded that as insourcing, outsourcing and setting up a



LACC all scored very similarly, they are all reasonable management options for the council to consider. However, this preferred option has been selected as it addresses the primary drivers for change as noted earlier in this report and as the council has a strong desire for control over delivery of this service.

33. In addition to addressing the primary drivers for change the below benefits of insourcing also include:
- Under in-house management the council is likely to retain some of the professional and operational expertise of the sites' management and staff through the TUPE process. Terms and conditions for staff may improve (particularly in regards to pensions) which in the short term could increase morale.
  - The local authority could seek innovative ways of generating additional revenue from their assets.
  - Another benefit of insourcing may be the opportunity for the council's own service departments to work closer together, developing one single internal economy where resources can be shared, and economies of scale (albeit on a small scale) delivered.
  - The option to insource is not without risk – financial, operational, reputational and organisational. These are detailed in Table 5 later in this report.

### The assessment process

34. The project board, comprised of key staff across the council, developed an evaluation matrix. The matrix includes the relative importance weightings set out against the council's key service criteria as noted in the below table.

**Table 1 - evaluation criteria**

Criteria	Description	Weighting %
Delivery of Outcomes	Ability to deliver the council's strategic outcomes, including health, sport and physical activity outcomes; ability to engagement with other council services including vulnerable groups; high priority groups; delivery of the council's climate agenda, additionally through Social Value; and maximising the benefits for local people.	25.0%
Strategic Control of Service	Ability to control the effective management of assets and provision of services for local people.	25.0%
Cost - Tax Structure	To reflect fiscal savings from the operational vehicle (management option) which are set by regulations. These include VAT and Non-National Domestic Rates (NNDR).	10.0%

Criteria	Description	Weighting %
Cost - Service Delivery	Operating costs that are deemed to be elective including parity of terms and conditions of employees and pensions, levels of overheads and profit, capacity and ability to generate income, number of employees, levels of marketing budgets, savings in utility costs from bulk purchasing, economies of scale etc.	10.0%
Risk Operational -	The extent to which the council is exposed to the risks of operating the facilities, including day-to-day management, health and safety, provision of staff and the optimisation of maintenance and utility costs.	10.0%
Risk Commercial -	The extent to which the council is exposed to the commercial risks associated with the services and facilities, including risks such as changes in law, changes in utility tariff, new competition, uninsured risks etc.	10.0%
Championing the key principles of an Employer of Choice	Ability to create employment opportunities and contribution to the council's aspiration to become an employer of choice. Development of harmonisation of workforce and where possible the protection of the terms and conditions of the employees.	2.5%
Accessibility to Revenue and Capital Resources	Ability to leverage external funding, both revenue and capital interventions including the long-term development and investment in assets and the provision of accessible services which encourage physical activity.	2.5%
Flexibility to change	Ability to change with council policies. Ability to develop synergy with other stakeholders and respond to market trends.	2.5%
Ability to provide an effective IT solution, infrastructure and offering	Respond to market requirements, on-going revenue costs. Demonstrate economies of scale in IT provision, ability to spot and respond to user trends and delivery of positive customer communications through technology. Effective digital and social media presence	2.5%
		100%

### Scoring criteria

35. Once the relative importance weightings were determined for each criterion, each one was then scored between 0 and 5, from lowest score to highest for each management option. Please see below table for the description of the scores:

**Table 2 – description of score**

Score	Description of score
5	The model meets the criteria fully in line with the council's requirements
4	The model meets the criteria to a significant degree with the council's requirements
3	The model meets the criteria satisfactorily and has some disadvantages
2	The model does not meet the criteria to in a number of areas
1	The model does not meet the criteria in a number of key areas and has a significant number of disadvantages
0	The model does not meet the criteria to any degree

36. Final evaluation results for each management option have been determined through a calculation of the relative importance weightings and the score given for each criterion. The maximum score each option can receive is 5.0.

**Table 3 - evaluation results**

Rank	Management option	Total score
1	LACC	3.65
2	Insourcing	3.55
3	Outsourcing	3.53
4	A new organisation (Leisure Trust)	2.75

37. As outlined below in table 4 there are advantages and disadvantages of each of the options and they all have their own characteristics. The two options with the top score were the LACC and insourcing.

**Table 4 – options comparison summary**

Model	Advantages	Disadvantages
<b>In-house</b>	<ul style="list-style-type: none"> <li>The council retains complete strategic and day to day control of the sites and service.</li> <li>Delivery of a holistic solution with other council services including vulnerable groups, supporting public health, children services and social care outcomes and its own strategic objectives</li> <li>Terms and conditions for staff may improve (particularly pensions) which in the short term could increase morale.</li> <li>The service could share central support costs with other council departments.</li> <li>Provision of services without the focus on profit.</li> <li>A responsive and flexible model that would allow the council to</li> </ul>	<ul style="list-style-type: none"> <li>The council retains the market risk and the liability for the operational performance and the capital maintenance costs of the sites.</li> <li>Limited access to the benefits of developing new opportunities and from economies of scale.</li> <li>The associated pay and pension costs involved with bringing a large workforce into the Local Government Pension Scheme (LGPS) would be significant.</li> <li>The significant financial resourcing implications of bringing the service in-</li> </ul>

Model	Advantages	Disadvantages
	deliver against priorities and maximise opportunities for residents	house.
<b>Outsourcing</b>	<ul style="list-style-type: none"> <li>• Operator likely to optimise opportunities for income generation and economies of scale against social outcomes.</li> <li>• The council is normally able to transfer considerable operational risk over to the operator.</li> <li>• Economies of scale</li> <li>• Broader expertise and experience of the operator.</li> </ul>	<ul style="list-style-type: none"> <li>• The council does not have direct control over the sites</li> <li>• Operator may seek commercial rather than social objectives e.g. profit</li> <li>• Staff are transferred to the operator under TUPE, although pension benefits may be comparable only.</li> <li>• Council responsible for the impact under a change in law</li> </ul>
<b>LACC</b>	<ul style="list-style-type: none"> <li>• Opportunity for the LACC and the council to work together under a publicly owned corporate vehicle with shared interests and values</li> <li>• Management team is likely to understand the business, demographics and market</li> <li>• Workforce sharing</li> <li>• Benefits of having a single-issue focus for the management team.</li> <li>• Economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>• Limited operational risks transferred to the organisation given it is wholly owned by the public sector.</li> <li>• Can be a costly alternative where public sector emoluments and pension benefits are maintained compared to an outsourcing model.</li> <li>• Need to ensure the leadership team have the necessary skills to balance the commercial risk and strategic objectives</li> <li>• Need to ensure that discretionary rate relief is possible to optimise the financial benefits.</li> </ul>
<b>New Leisure Trust</b>	<ul style="list-style-type: none"> <li>• Often set up bespoke to the individual authority and are aligned to the community needs at the time of inception to deliver local outcomes</li> <li>• NPDO trusts are also able to work with other public sector and voluntary partners and are normally recognised by the</li> </ul>	<ul style="list-style-type: none"> <li>• The company would be independent from the council and any trustees would be required to act in the best interests of the new company and not the council</li> <li>• The external leisure consultancy rated setting</li> </ul>

Model	Advantages	Disadvantages
	<p>Charities Commission.</p> <ul style="list-style-type: none"> <li>• NPDO trusts are also able to work with other public sector and voluntary partners and are normally recognised by the Charities Commission.</li> <li>• NPDO models can attract both mandatory rate relief and VAT exemption benefits</li> </ul>	<p>up a new trust as the riskiest option as this would be an independent company and although it may have the same workforce, the lack of leadership and policies may result in difficulties in controlling assets, income and costs.</p>

38. The upside of insourcing over a controlled company is that it has the capacity to work across a range of council services to address the day to day issues and also holistically, the delivery of the strategic outcomes of the council without being tied down to a specification or contract that needs to be renegotiated at every change made or requested. Officers feel connected with each other and tied to a common purpose of providing services to the community; this may be marginally lost with the LACC option.
39. The council has a wide range of strategic outcomes which will change over time. There are also sub-sets of objectives and priorities that are reflected within, inter alia, the health and wellbeing strategy, education plans, children services, early help plans, social care plans and sport and physical activity strategies.
40. These requirements can be documented within contracts and specifications; however, to build these relationships with external companies can often be difficult for council departments to deliver. Changes can be difficult to put in place, given there is normally a financial implication to be considered and approved. This can often be seen as providing a less flexible approach to the constant changes to the council's own outcomes and needs hence the reason for the preference of insourcing.

## Risks

**Table 5 - Identified risks for the preferred strategic option - insourcing**

Item no.	Risk	Risk Description	Likelihood score (1= low to 5= very high)	Severity score (1= low to 5= very high)	Impact Likelihood x Severity	Mitigation	Revised Impact
1	Mobilisation – failure to meet key deadlines.	The new management model is not delivered on time to dovetail with the expiry of the existing contract which results in service disruption and reputational damage for the council	2	3	<b>Medium</b>	<p>The recruitment of a Programme Manager to oversee the implementation of insourcing the leisure service. Continued monitoring by Leisure Programme Board to ensure key milestones are being met.</p> <p>Termination of the contract would result in reputational damage for both parties and be noted on all future SLM tender submissions.so the likelihood is unlikely.</p>	<b>Medium</b>
2	Financial – affordability of the new model.	The outcome of the procurement / change in management model results in costs being greater than working	2	4	<b>High</b>	Officers will follow Southwark's procurement procedures, such as the Contract Standing Orders (CSOs), which are designed to ensure that the	<b>Medium</b>

Item no.	Risk	Risk Description	Likelihood score (1= low to 5= very high)	Severity score (1= low to 5= very high)	Impact Likelihood x Severity	Mitigation	Revised Impact
		estimates / budgets.				council achieves best value and continued improvement for all purchases.  The financial costings have been provided by consultants with significant industry experience and validated by council officers.	
3	Economic - leisure industry conditions.	The length of time that it will take for the recovery of the leisure industry is unknown. How will the leisure centres perform in the medium to long term?	4	4	High	GW1 report in the Autumn to provide detail of the ongoing costs and will seek cabinet agreement that those costs will be covered.	High
4	Staffing and culture – insufficient capacity within the organisation.	The organisation's capability and capacity to accommodate a new management model with the associated infrastructure, management and staffing requirements	3	4	High	Through detailed project planning the organisational capacity required will be identified and detailed in the GW1.	Medium

Item no.	Risk	Risk Description	Likelihood score (1= low to 5= very high)	Severity score (1= low to 5= very high)	Impact Likelihood x Severity	Mitigation	Revised Impact
		as the preferred in house model will impact on a number of other departmental functions.					
5	Reputational – failure to deliver on council commitments and service standards.	The preferred option does not deliver the additional benefits to the community.	2	3	Medium	Commission an external organisation to undertake a 'strategic outcomes planning strategy' to identify service benefits to the community.	Low
6	Covid recovery-ongoing uncertainty of the pandemic - the only recovery data existing so far is 3 months of operational data in the past year since the pandemic began.	The leisure centres are monitored by council officers to ensure continuous improvement.	3	2	Medium	Close monitoring of the operational and financial performance of the leisure centres when restriction are lifted using open book accounting with leisure operator in order to evaluate and assess recovery.	Low



Item no.	Risk	Risk Description	Likelihood score (1= low to 5= very high)	Severity score (1= low to 5= very high)	Impact Likelihood x Severity	Mitigation	Revised Impact
7	Asset management - There is an ongoing commitment to invest in the leisure centres which currently sits with the contactor	The council assumes all the maintenance and management costs of the buildings.	3	4	High	Robust monitoring of the facilities to be in place from the outset and early identification of lifecycle maintenance of the assets.	Medium
8	Legal and regulatory – health and safety responsibility.	Increased risk and exposure for the council as it will take on health and safety and other associated responsibilities previously held by the operator.	5	4	High	Ensuring that the health and safety management of the leisure services is sufficiently resourced.	High

## Key /Non Key decisions

41. This is a key decision.

## Policy Implications

42. The management of the leisure centres and delivery of excellent leisure services is directly linked to the council's commitment to a 'Fairer future for all', in particular:

We want to break down barriers that prevent people from thriving in Southwark, so that whatever your background you can live a healthy life.

43. The refreshed Borough Plan 2020 - 22 sets out a series of commitments across eight themes:

- COVID-19 response
- Southwark Together
- A green and inclusive economy
- Climate Emergency
- Tackling health inequalities
- Homes for all
- A great start in life
- Thriving neighbourhoods

44. Leisure centre provision contributes to the delivery of these commitments. In particular, the Borough Plan states, 'Invest in our leisure centres and ensure our residents can continue to access high quality leisure services.'

45. In addition, leisure centre provision is an important part of the Active Southwark strategy which was agreed by the cabinet in April 2019. The themes of the strategy are:

- Active People – understanding the circumstances of individuals to better shape our services and offer
- Active Places – shaping our environment and facilities so that they encourage more people to be more active
- Active Communities – maximising resources and building partnerships with our communities that promote physical activity.

## Next Steps

**Table 6 - Service Delivery Project Plan (Key Decisions)**

Activity	Complete by:
DCRB Review Gateway 0	17/02/2021
CCRB Review Gateway 0	18/02/2021

Activity	Complete by:
Agenda planning	23/02/2021
Deadline for final reports	25/02/2021
Approval of Gateway 0: Strategic Options Assessment	09/03/2021
Scrutiny Call-in period and notification of implementation of Gateway 0 decision	24/03/2021
Gateway 1 report to cabinet paper detailing implementation of insourcing option	Autumn 2021
Current contract end date	30/06/2023

### **Community impact statement**

46. To minimise any impact on the community and residents with protected characteristics, an equalities impact assessment will be carried out as part of the Gateway 1 report to the cabinet which will be brought back by autumn 2021.

### **Social Value considerations**

47. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing any procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. Social value considerations and how the delivery of these services can benefit the local area are detailed below:

### **Economic considerations**

48. This review considers an appropriate delivery model for the provision of leisure services. There is likely to be a positive economic impact through local employment opportunities and the provision of apprenticeships etc. The economic considerations will be considered in-depth in the Gateway 1 report.

### **Social considerations**

49. Social considerations are to be built into the process for delivering the recommended option and will be reported in the Gateway 1 report.
50. Bringing the service in-house will mean that all council policies are adhered to in respect of responsible employment; for example, the London Living Wage will apply. The council will also ensure that the council's fairer future principle 'looking after every penny as if it was our own' is applied.

### **Plans for the monitoring and management of project**

51. The project will be managed by the Parks and Leisure Team and overseen by the proposed new, Programme Manager.

52. The project will be monitored by the Leisure Project Board consisting of key stakeholders across the council such as:

- HR
- Legal
- Procurement
- Finance
- Marketing and Communications
- Insurance
- IT
- Public Health
- Children's and Adults Services

53. The project board will be reporting progress against key milestones and updating on key risks and issues with recommendation for mitigation to the Leisure Sponsorship Group which is chaired by the Strategic Director for Environment and Leisure.

### **Resource implications**

54. At this stage of the project additional resources will be required in relation to the two points set out in paragraphs 5 and 6 relating to the appointment of a Programme Manager and the development of a strategic outcomes planning strategy which will be undertaken by an external consultancy. Resources will also be required from officers in several council departments including but not limited to the list below to support the gateway 1 process.

- Human Resources
- IT
- Legal
- Marketing
- Corporate Facilities Management
- Procurement
- Public health
- Finance

### **TUPE/Pensions implications**

55. There will be TUPE and pension considerations, however the details of this will be included in the Gateway 1 cabinet report.

### **Financial implications**

56. This paper sets out the current preferred option - for the future of leisure services in Southwark. The financial implications of the insourcing option are two fold, firstly the up front and significant financial resource that will be required to mobilise the preferred option and secondly the recovery of the leisure sector is currently uncertain, and will be impacted by income, the economy in general and competition in the sector. More may be known by

September, but it is possible that the financial position will be unclear for some time.

57. The more immediate resource requirements are related to the appointment of the programme manager and the commencement of the strategic outcomes planning strategy as set out in paragraphs 5 and 6.
58. A paper with detailed financial implications of the insourcing option will be brought to the cabinet in a Gateway 1 report in Autumn 2021.

### **Legal implications**

59. Please refer to the concurrent from the Director of Law and Governance.

### **Consultation**

60. This report has been progressed by the Leisure team, in conjunction with key stakeholders across the council, and under corporate scrutiny from the lead member. Staff and trade union consultation will be carried out in accordance with the council's human resources policies and guidance as appropriate.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (FC20/031)**

61. This report is requesting the cabinet to note the outcome of the leisure service strategic options assessment undertaken by external consultants and request that a further report is submitted by autumn 2021 providing a detailed programme and implementable plan to bring the leisure service in-house.
62. The strategic director of finance and governance notes that the insourcing the option will require an increase in budgetary resources for both revenue and capital, details of which will be included in cabinet report expected in autumn 2021. The financial implications for both revenue and capital budgets for operating the leisure centres in the future will need to be incorporated within the council's annual budget setting process, once approved by the cabinet.
63. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

### **Head of Procurement**

64. This report asks that cabinet note the Gateway 0 report and strategic options assessment presented as opportunities for the future of the council's leisure service when the current contract expires at the end of June 2023.
65. The report asked cabinet to note that the outcome of the leisure service strategic options assessment demonstrates that insourcing, outsourcing or

creating a Local Authority Controlled Company (LACC) are all reasonable management options for the council to consider in the aim of an ever more effective delivery model for this service.

66. Cabinet are asked to note that insourcing the leisure service is currently the preferred option as it addresses a number of key drivers for change and provides the council with a range of benefits detailed in paragraphs 12 – 19 of the report. The risks associated with the insourcing option, including the cost of preparation and the ongoing service delivery are highlighted in table 5.
67. The report requests that, subject to the approval of the recommendations in this Gateway 0 report, a Gateway 1 paper is brought to cabinet in autumn 2021 to seek approval to a proposed insourcing strategy which will include a detailed programme and implementable plan to bring the leisure service in-house.
68. In support of the development of the Gateway 1 report, there are two resource implications detailed in paragraph 54 and contained within the report recommendations. Cabinet are asked to note the need to recruit an experienced Programme Manager on a fixed term basis to implement the planning, and oversee the delivery of the next steps of the preferred in-house option. Cabinet are also asked to approve the development of a strategic outcomes planning strategy to be delivered externally to the council.

### **Director of Law and Governance**

69. This report seeks that cabinet notes the strategic options assessment for the delivery of the council's leisure services when the existing contract expires in June 2023. In particular is asked to note the recommendations in paragraphs 1-6 of this report as well as to approve the development of a strategic outcomes planning at the estimated cost detailed in paragraph 6 of this report.
70. Under the council's Contract Standing Orders, a pre-procurement/Gateway 0 report is required for any service contract with an estimated contract value of £10m or more, or other strategically important contract for services, goods or works where requested by the relevant cabinet member. The decision to approve the report recommendations is reserved to the relevant cabinet member, who may elect to refer the decision to cabinet, after consideration of the Gateway 0 report by the Corporate Contracts Review Board.
71. Paragraphs 12 to 19 of this report sets out the key drivers for change to a new leisure services management model and paragraph 29 outlines the management options appraisal which were considered and evaluated by the council with assistance from the council's external consultants. The advantages and disadvantages of each of the options are highlighted in Table 4 of this report.
72. As outlined in paragraph 32 of this report, the management options appraisal

concluded that insourcing, outsourcing and setting up a local authority controlled company are all reasonable management options for the council to consider. However, the preferred option is in-sourcing as this addresses the primary drivers for change outlined in paragraphs 12-19 of this report as well as providing the benefits outlined in paragraph 33. The risks associated with the preferred option are highlighted in Table 5 of this report.

73. Subject to the cabinet approving the recommendations in this GW0 report, a GW1 report will be brought to cabinet in autumn 2021 which will include a detailed programme and an implementable plan to bring the leisure service in-house. Legal officers from Law and Governance will continue to assist the Leisure Team as this project progresses, and will give the cabinet additional advice in due course

## BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
'Leisure Management Contract – Management options from April 2021', October 2020 cabinet paper	Leisure Team, 160 Tooley Street	Tara Quinn 07940788704
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MeetingId=6663">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MeetingId=6663</a>		

## APPENDICES

No.	Title
None	

**AUDIT TRAIL**

Cabinet Member	Councillor Catherine Rose, Leisure, Environment & Roads	
Lead Officer	Rebecca Towers, Director of Leisure	
Report Author	Catherine Snell, Research & Development Officer	
Version	Final	
Dated	25 February 2021	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Governance	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		25 February 2021



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## OVERVIEW & SCRUTINY COMMITTEE

MUNICIPAL YEAR 20-21

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Councillor Cleo Soanes			
		<b>Dated: February 2021</b>	