

Item No. 24.	Classification: Open	Date: 6 December 2022	Meeting Name: Cabinet
Report title:		Progress with Insourcing of Leisure Services	
Wards or groups affected:		All	
Cabinet Member:		Councillor Catherine Rose, Cabinet Member for Leisure, Parks, Streets and Clean Air	

FOREWORD - COUNCILLOR CATHERINE ROSE, CABINET MEMBER FOR LEISURE, PARKS, STREETS AND CLEAN AIR

The last update report in March 2022 outlined the positive progress towards transfer of leisure services back to Council operation and management. I am pleased to report that this progress has continued at pace.

We know that well maintained, accessible and affordable facilities, gyms, swimming pools contribute to a pride in local services, encouraging activities and experiences across generations. We believe that the provision of high quality leisure facilities enrich our communities, providing a diversity of sports and recreation for many, irrespective of age, ability or background. This strengthens our community and supports social cohesion in challenging times.

We also know that physical activity and movement can help improve communities' physical and mental health, preventing many avoidable conditions and easing pressure on our NHS. With all this in mind, we are moving steadily towards a collaborative approach across all council services to support leisure insourcing.

We have now employed a core team to assist with the insourcing, including support in Human Resources, Finance, ICT, Programming, Marketing and Communications. We are currently also engaging with communities, users and non-users on the 'look and feel' of the new service, and plan, in the New Year, to publish a refreshed service brand to replace the Everyone Active brand identification. We want staff to know and believe that they have good, secure jobs. We are working to ensure that residents experience a high quality service and have an excellent local provision to meet their needs.

Our leisure centres continue to be popular, with post-covid recovery levels of attendance now exceeding pre-covid levels.

We remain focused on a two-phased approach to insourcing. Firstly we are focused on ensuring that the centres transfer seamlessly from the current operator, Everyone Active, to the council in June 2023 with negligible impact on customers and staff.

Our second area of focus, when the service is transferred, will be to consider how long term aims and ambitions can be achieved alongside, and supporting, other council priorities and programmes, and how we might be able to enhance the current service offer. Developing the offer will involve extensive consultation with customers and non-users, supported with our experience of operating the service.

This report highlights the work in progress to effectively deliver across a full range of workstreams and implement plans for transfer of services back under council management and operation from June 2023. The process is complex and challenging, and relies on the ongoing cooperation of Everyone Active; we continue to engage Everyone Active management, local unions and staff in the planning and transfer of services in June 2023.

The report sets out some of the key challenges being faced, addressed and mitigated where possible - particularly in relation to global challenges, including spiraling energy costs and the cost of living crisis. Regardless of the challenge, the focus remains to be on delivering the best outcomes for our residents.

We recognise health inequalities remain within our communities and believe that bringing leisure services in house, will help the Council to better address these inequalities and achieve the best social return for investment made into these services.

We firmly believe that, by working more collaboratively across council service and with communities we can make a difference to the health and wellbeing of residents and hope that you will continue to support the Council on this journey. To this end, we would encourage anyone within an interest in the future provision of community based leisure services to add their voice, to help us shape this journey.

We know that we still have much work to do, but we are committed to making the changes needed to become more inclusive, more diverse and more innovative, to deliver even greater impact within our communities.

I hope you choose to join in this exciting journey and make Southwark an example of what councils and residents working together can achieve.

RECOMMENDATION

Recommendations for the Cabinet

1. That Cabinet notes the progress that has been made towards delivery of the leisure insourcing, including the challenges, opportunities and management of risk associated with this programme.
2. That Cabinet notes the staffing structure that has been developed across the centres, modelled around the TUPE transfer, with a supporting management structure and an initial mobilisation team structure.

3. That Cabinet notes work underway on developing new branding, to ensure a strong and easily identifiable brand is created for the Council's leisure services, which clearly defines the service within the community and within the wider leisure sector.
4. That Cabinet notes the ongoing work associated with harmonisation of terms and conditions in line with TUPE regulations, and in discussion with the recognised Trade Unions.
5. That Cabinet notes that the financial target operating model that is being developed, to underpin the delivery of the service after transfer.

BACKGROUND INFORMATION

6. Following the recommendation of the GW0 report in March 2021, on 14 September 2021, Cabinet considered the GW1 Procurement Strategy report for insourcing the leisure service and approved the plan to bring the leisure service back in-house in June 2023 at the expiry of the current contract with Sports and Leisure Management Limited (operating as Everyone Active).
7. Cabinet further approved the deployment of appropriate immediate resources and a one-off mobilisation budget to enable the insourcing process.
8. The council's primary aims and objectives for the insourcing strategy are;
 - To give the council direct control over its leisure services and enable, in time, significant innovation in leisure provision, through wide-reaching cross-council and whole system collaboration, which further enhances the health and well-being of Southwark's residents.
 - Transferring the service as smoothly as possible for customers
 - Transferring the service as smoothly as possible for staff
 - Delivering a value for money service.
9. The challenge of bringing this complex customer-focused and market-driven service in-house cannot be underestimated and, in the first instance, the focus must be on a safe and smooth transition from the current provider to direct delivery by the council in June 2023 - with the aim of having no detriment to the current levels of service provision and minimum impact on staff transferring. It is recognised that the commerciality and market sensitivity of the insourced leisure service means that it cannot be considered in the same way as many other Council services and will require innovative and alternative approaches and skill sets.
10. To support the longer term aspirations of the Council, a Strategic Outcome Planning Framework will be developed, which will include consideration of the role of leisure services in addressing the following

long-term objectives and opportunities:

- To ensure that the council can provide leisure facilities and services according to its priorities, maximising opportunities for residents to lead healthier lives
 - To ensure the health and wellbeing of residents is prioritised as we emerge from the pandemic, especially those from Black, Asian and Minority Ethnic communities (in accordance with the principles of Southwark Stands Together)
 - To work innovatively with key departments and divisions across the Council and with partners, to provide excellent services for residents most in need
 - To minimise the immediate financial impact of the delivery of services
 - To run a service that is fit for the future and can respond flexibly to shifting priorities
 - To increase the numbers of locally employed people who will benefit from the council's terms and conditions
 - To implement a digital modernisation programme which supports effective operation of the service
 - To ensure that a comprehensive energy strategy contributes towards cost efficiencies and progress towards the Councils decarbonisation aims.
11. Some of these opportunities will be realised from the date of transfer, whilst some will be reliant on the embedding of longer term approaches.
12. The Cabinet report of 14 September 2021 noted that a progress report would be brought back to Cabinet in Spring 2022 in order to provide an update on progress with the delivery of the project plan and management of the risks identified in the GW1 report. This report was considered by Cabinet on 8 March, 2022.
13. The Cabinet report of 8 March 2022 noted positive progress towards delivery the project plan and management of the risks identified in the GW1 report.
14. This paper provides a further progress update.

PROGRESS UPDATE

Governance Arrangements

15. As set out in previous reports, comprehensive governance arrangements continue to operate for the delivery of the leisure insourcing project, with reporting and governance of the leisure insourcing project being carried out primarily within four officer groups:
- The Sponsor Board

- The Programme Board
- The Project Delivery Team
- Working Groups

16. The Working Groups are led by the representatives from each of the council's relevant service areas and are responsible for defining and undertaking the specific tasks in each workstream, keeping the Programme Manager informed of progress and supporting the Project Delivery Team on the development of the new leisure offer.
17. In addition to the inhouse teams, the Project Delivery Team have commissioned support from an IT Project Manager and a number of specialist consultants - a Financial Consultant, an HR Strategy Consultant, FMG Consulting Ltd (specialist sport and leisure consultancy), Clyde & Co (specialist legal employment consultants) and AllianceTA6 (Marketing Agency) to provide additional capacity and specialist advice and support in respect of the leisure industry and the insourcing project.
18. Whilst the leisure insourcing will follow standard constitutional processes in relation to formal decision making, in view of the magnitude, significance and scale of the insourcing programme, regular joint Lead Member Briefings will continue to be arranged for relevant Cabinet Members.

Work to Date

19. A draft programme plan was provided as part of the GW1 Procurement Strategy report. This plan detailed five phases of work as follows. This plan has now been updated to include additional phases, as set out below:

Table 1 – Programme Plan Phases

Phase	Task	Timeframe	Progress
Phase 1	Programme Set-up and Planning	Sept – Dec 2021	Completed
Phase 2	Mobilisation and Preparation for Transfer	Jan 2022 – April 2023	In progress
Phase 3	Project Planning and creation of Leisure Services Insourced Division	July 2022 – March 2023	In progress
Phase 4	Completion of planning and commencement of transition of service	April 2023 - May - 2023	
Phase 5	Strategic Outcomes Planning	Jan 2022 – May 2023	Prelim work underway
Phase 6	Commencement of Insourced Service	Jun 2023	
Phase 7	Service Activation and Bedding-In	Jun 2023 – May 2024	
Phase 8	Service Development and Enhancement	Jun 2024 – Dec 2025	
Phase 9	Service Evaluation	Jan 2026– Mar 2026	

20. The key focus of the Project Team in the planning of the work programmes has been to develop the scope of work, planning actions, identifying procurement requirements, securing staffing resources and financial planning for the insourced leisure services within the council's wider services and support structures.

Managing the Leisure Service

21. A staffing structure has been developed which includes both a temporary mobilisation team and a permanent team, which will be responsible for supporting the staff transferring from EA under TUPE (see Appendix 1 for the structures).
22. Most of the planned pre-transfer posts have now been recruited and are in post, with the exception of the following service support posts, which will be recruited before January 2023; Facilities Coordinator, Marketing Coordinator, Learning & Development Business Partner.
23. Further consideration may be given to other roles, as details of transfer of undertakings for employment are finalised.
24. Authority for permanent structural changes to the workforce have been completed via the normal council reporting processes, with approval by the Strategic Director of Environment and Leisure. Union colleagues have been consulted on proposals, in line with due process. Alongside the formal union meetings, additional meetings have also been held, to seek to maximise information sharing and collaborative opportunities.

Key Issues / Challenges / areas of focus

25. Southwark is one of the first boroughs in the UK to fully insource leisure services following a period of externalisation, and whilst the opportunities associated with this unique approach should not be under-estimated, neither should the challenges associated with this process.
26. As the various workstream considerations have progressed, a number of key issues and challenges have been identified which will need specific attention through the mobilisation and/or post-transfer phases. They include the following:

Human Resources

27. **Recruitment** - Whilst there have been recruitment challenges due to HR capacity, all key posts are now either been recruited to, or are at interview stage.
28. **Harmonisation** - In relation to the transferring workforce, there are a number of HR issues which are under consideration, in relation to harmonisation. These include:

- Standard contract (including treatment of staff with multiple contracts)
 - Comparable pay
 - Working Hours (current EA workforce work 40 hours a week)
 - Casual staff / zero hours contracts
 - Bonus / commission
 - Overtime
 - Shift patterns
 - Pensions
 - Timing of harmonisation
29. Work is ongoing on each of these issues, in consultation with a senior HR strategic advisor and an employment law specialist company. The initial focus is to achieve in principle agreement in each area prior to transfer. Regular staff meetings are being held, and regular discussions are also taking place with the recognised trade unions.
30. All of the challenges are now understood, with plans in place to maximise benefits and minimise risks, with the key objective being to ensure a smooth transfer. All transferring employees will be offered enrolment on the local government pension scheme with effect from 20 June 2023.
31. An onboarding plan has been completed and is in progress. The first stage involved engagement with Everyone Active's management team, to outline the aspirations of the council, the process to be followed, project structure and implementation plans. This has been followed with four meetings with staff to date, to provide similar information as that shared with managers, and to report progress. The Cabinet Member for Leisure, Parks, Streets and Clean Air, Councillor Catherine Rose attended one of the staff meetings. The second phase of the plan includes continuation of monthly progress meetings, creation of a staff representative forum and a programme of one to one meetings with transferring staff in the new year. The Chief Executive and Strategic Director for Environment and Leisure will also be meeting the EA staff in the new year.

Finance

32. Financial management systems and budgets are being developed for the Leisure Services Division, which are fully compliant with council policies and procedures. It is also important that they are able to provide suitable commercial flexibility.
33. There is recognition that the impact of Covid is making short-term business planning challenging.
34. Confirmation of Target Operating Model (TOM) – current economic challenges, alongside unknowns, create financial uncertainties that may impact the TOM. Issues of concern include energy prices, treatment of

VAT, potential impact of the cost of living crisis on income, detailed staff cost information. Whilst officers continue to work to the allocated net budget of £2.6m, sensitivity analysis has identified that there may be need for additional budget. Planning for this eventuality is being factored into the 2023 budget planning process.

ICT

35. Work is ongoing in relation to the implementation of new ICT network and infrastructure required for Leisure Services going live. In parallel to this, work is also underway for the implementation of new leisure management system, Gladstone 360 and Gladstone Direct Debit. Gladstone mobilisation is due to take place before the end of November 2022.
36. In regards to network migration, the strategy is to run a Southwark Council network in parallel with the existing EA network, in order to minimise service disruption, an approach that has been adopted successfully by others in a similar position, so is tried and tested. While taking this approach, it is recognised that a significant amount of resource and investment is required to complete this complex migration. The key risk is associated with managing the switchover and ensuring minimal disruption to the service.
37. There have been some challenges linked to delays in Virgin connectivity work which have led officers to consider alternative ways to ensure connectivity is achieved. However, initial Virgin Media surveys have now taken place on 9th November 2022 at two sites with further surveys scheduled to take place at all remaining sites before the end of November 2022. The Virgin Media surveys will inform if there are any planning implications which could lead to potential delays in achieving connectivity. However, there are contingency plans in place if this happens.
38. As part of the work to understand hardware and software needs of the service, a technical blueprint is currently under development to ensure that all ICT elements are built in to the required specifications and quality. Contributions to this document are provided by all relevant internal stakeholders and external suppliers.

Procurement

39. Work is underway to ensure all goods and services are procured in a timely manner, and in line with public procurement regulations – and in a way that enables the speed and flexibility required for the delivery of leisure services, within a commercial market-place. 37 separate procurements have been identified to date, requiring substantial resource to undertake in a timely manner. In view of the significant amount of work required to deliver such a large number of procurements in a short window, additional temporary resource is being secured.
40. There are also some supply chain challenges within the industry, which

need to be managed. There is currently a national shortage of pool chemicals, with long lead in times leading to pool closures in some instances. Officers are exploring, with EA, whether alternative approaches might be taken to prevent this risk in the future.

Health and Safety

41. This workstream includes creation of H&S practices and procedures and integration into council systems, to ensure clarity of process and responsibility. Work is ongoing across teams to ensure smooth integration and robust policies, practices and procedures.

Facilities Management

42. Each centre is being surveyed to identify works required, to enable building works to be carried out and to ensure that contractual obligations are met by EA, in relation to dilapidations requirements at contract exit.
43. The surveys will also identify the capital costs associated with the works required, for consideration in capital budget process for 2023/24.
44. Development of planned preventative maintenance and lifecycle cost plans are also underway.

Marketing and Communications

45. This involves the development of site and service brand and style guides to ensure that the marketing and communication activity of the insourced leisure service is in accordance with council policies and procedures whilst also enabling commercial flexibility and appeal in a highly competitive market.
46. It is also necessary to ensure brand appeal, to enable customer retention and new sales.
47. A marketing consultancy has been appointed to assist with this work, which will include user and non-user (resident) surveys and forums. Further detail will be brought to Members for consideration in due course.

Legal

48. Legal issues include the management of the GDPR-compliant transfer of staff and customer data from Everyone Active to the insourced leisure service at the commencement of the operational phase.
49. It is also necessary to ensure that the Council's scheme of management is expanded to enable timely decision making at the appropriate level, in line with council's governance requirements. This will enable effective decision making pre and post transfer.

Contract Exit

50. This includes the ongoing monitoring of, and liaison with, Everyone Active and the management of the expiring leisure management contract.
51. All parties continue working to ensure a cooperative relationship between the Council and Everyone Active, which will support a seamless transfer of services and an exchange of appropriate information to enable the new service to achieve optimum performance.
52. These issues and others associated with each service area are the subject of ongoing consideration and management as part of the Working Group discussions, and are captured in the detailed plans developed for each work area.

Key Risks

53. In addition to the key challenges outlined above, Table 2 below provides an update of the key risks which have been identified and are likely to arise through the course of the delivery of the programme plan.

Table 2 – Summary of Key Risks

Risk	Notes	Likelihood	Potential impact	Mitigation/Control measures	Revised impact
Impact of COVID-19	Uncertainty around medium and longer-term impact of COVID pandemic	Medium	High	- close monitoring of EA and wider sector recovery; - detailed budget planning for operational phase, including sensitivity analysis	Medium
Financial performance	Uncertainty of future financial performance alongside significant inflationary pressures, in particular around energy costs.	Medium	High	- detailed budget planning, including revenue sensitivity analysis and identification of cost mitigation measures, reflected in the corporate budget planning process; - implementation of budget management and performance monitoring procedures - identifying and investment in energy cost saving measures	High
Operational performance	Scope for poor or inconsistent operational performance	Medium	Medium	- recruitment and training of appropriate leisure professionals to oversee the service;	Low

Risk	Notes	Likelihood	Potential impact	Mitigation/Control measures	Revised impact
				- establishment of robust quality management systems; - implementation of appropriate customer engagement systems	
Lack of capacity to recruit required additional staffing levels at pace	Delay in recruiting skilled resource to deliver through mobilisation phase	Medium	High	Recruitment of sufficient HR support to ensure sufficient resource to support the wider recruitment process	Low
Impact on central services	Uncertainty re scope and level of additional support likely to be required	High	Medium	- proactive engagement with central service teams; - ongoing working group discussions and programme plan delivery; - identification and recruitment of additional resource requirements; - establishment and management of mobilisation budget	Low
Staffing – retention of staff	Scope for loss of staff to other EA contracts and/or loss of staff morale	High	Medium	- early engagement with EA to establish TUPE information and contractual provisions regarding changes of staff structures; - implementation of proactive onboarding plan for transferring workforce to ensure welcoming approach and seek to minimize anxiety of change	Medium
Early contract exit	Potential for EA to fail or pursue early exit from contract	Low	High	- continued engagement and open communication with EA; - continued monitoring of market recovery and understanding of any impacts on EA	Low
Programme delays	Scope for elements of the mobilisation process to be	Medium	High	- establishment of clear project governance arrangements; - establishment and	Medium

Risk	Notes	Likelihood	Potential impact	Mitigation/Control measures	Revised impact
	delayed			delivery of detailed programme plan - escalation approach identified to flag any delay	
Failure to achieve benefits of insourcing	Potential for practicalities of mobilisation to divert focus from insourcing benefits	Medium	High	- established clear project governance arrangements with clear description of strategic objectives; - Implementation of strategic outcomes planning process	Medium
Failure to at least replicate existing service provision	Negative impact on customer perceptions and commercial performance	Medium	High	- Engagement with EA to understand current methods of operation and resource requirements. -procurement of external resource to deliver key services, e.g. cleaning	Medium
Failure to at least replicate existing ICT functionality and service provision	Negative impact on customer perceptions and commercial performance	Medium	High	- early engagement with EA and central ICT team to establish requirements; - Recruitment of appropriate internal and external resource to oversee process.	Low
Reputational risk if programme is not delivered on time and to a high standard	High profile insourcing will attract attention. Poor performance will become highly visible. Recruitment delay impacts in some areas – e.g. procurement	Medium	Medium	Careful and early planning with sufficient resources will limit likelihood of poor performance. High level support and engagement from both Members and senior officers will ensure clear vision and ensure smooth implementation. Consideration of handover timing and a temporary suspension of services for short period to facilitate smooth changeover will reduce risk. Plans developed to mitigate delays in recruitment – e.g. procurement.	Medium

Mobilisation Costs

54. As set out in the GW1 report, a mobilisation budget of £2.4million has been established for the mobilisation process. The level of commitment and forecast budget requirements are currently in line with this provision.

Policy framework implications

55. 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.

56. The 2022-23 Council Delivery Plan sets out a series of commitments across seven themes:

- Transforming our borough
- A thriving and inclusive economy
- A healthy environment
- Quality, affordable homes
- Keeping you safe
- Investing in communities
- Supporting families

Leisure centre provision contributes to the delivery of these commitments. In particular, the Delivery Plan states, 'We will offer a range of activities to keep all our residents fit and healthy, including a new council-run leisure service' and "We will enable residents of all ages to stay active and healthy: establishing a new in-house active Southwark service, with access to a wide range of activities.'

57. In addition, leisure centre provision is an important part of the Active Southwark strategy which was agreed by 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.

58. The new public health sector management arrangements around Integrated Care Services (ICS) provides further opportunity for leisure to participate and influence future thinking and direction around investment in Southwark community's health and wellbeing.

Community, equalities (including socio-economic) and health impacts

Community impact statement

59. As noted in 'Table 1 – Programme Plan Phases', the council will be undertaking strategic outcomes planning which will reflect upon how and where the in-house leisure service can contribute positively to the delivery of the council's wider strategic outcomes. This fundamental review will reflect the specific objectives and priorities established in the Delivery Plan and the 'Southwark Stands Together' pledges, whilst also recognising wider local needs and the strategic objectives of relevant partners and stakeholders. In particular, it is expected that the strategic outcomes planning will focus on the scope for the in-house leisure service to help to address health and other inequalities in Southwark.
60. Potential areas of community impact would be in relation to any changes implemented, based on the result of the strategic outcomes planning work. To minimise any impact on the community and residents with protected characteristics, an equalities impact assessment will be carried out if any changes to the service are proposed.
61. That said, it should be noted that at the point of transfer there will be limited impact on the community as the council plans to retain its existing leisure offer initially, to ensure a successful transition/ bedding in period.
62. The Equalities Impact Assessment will be updated at key milestone intervals throughout the mobilisation period.

Equalities (including socio-economic) impact statement

63. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. The details of how social value will be incorporated within the insourcing of the leisure services are set out in the following paragraphs.
64. The insourcing of the leisure service will result in benefits for the local economy. One of the council's key objectives of insourcing the service is to increase the numbers of locally employed people who will benefit from the council's favourable terms and conditions.
65. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that all staff, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. EA are currently also delivering on this commitment so this would continue and the council will pay the London Living Wage.

66. The council does not deploy harmful zero hour contracts and is committed to employing full and part time staff. The employment of casual employees working variable hours, some only occasional hours, is also an essential component of effective resourcing for delivery of leisure services. The Council are likely to use casual working arrangements but will give due consideration to the preferences of staff and ensure that there is no harmful impact for staff working under casual employment arrangements.
67. The council will continue to appoint apprentices as part of an insourced leisure service, with an intake scheduled to be recruited in May 2023 for commencement in September 2023.

Health impact statement

68. The long term objectives of insourcing the leisure services outlined in paragraph 10 are directly linked to reducing health inequalities and improving the opportunities for residents to lead healthier lives through the development of a more resident focused service.
69. The process by which the leisure services are insourced does not impact on the current opportunities that residents have, as the initial aim is to provide the same service that residents currently receive.
70. Throughout the process of insourcing the leisure services, the Project Delivery Team will regularly consult with key health stakeholders such as the Public Health team and Adult and Social Care Team to develop the long term vision for the service, so ensuring that it remains closely aligned to their current policies and strategies for reducing health inequalities and providing equitable access to services for all residents.
71. In addition to this, the Strategic Outcomes Planning exercise, in phase five of the project delivery phases, will also assist the council on focusing the long term delivery of the service where is it needed the most in order to meet the objectives set out in paragraph 10.

Climate change implications

72. The council's leisure providers have always been required to provide acceptable and appropriate environmental policies, required to deliver on specific performance targets for increasing recycling, reducing waste and energy consumption and expected to implement energy management plans aimed at reducing carbon emissions in line with the council's own targets.
73. With the council declaring a Climate Emergency it is expected that the requirements of an insourced service will not only continue to uphold the existing standards in place, but to expand on them over time. In this regard, the service will seek to set the example of good environmental

impact management and deliver on the key objectives from the Climate Emergency Action plan approved by Cabinet in July 2021.

74. A full energy assessment and impact study has been completed for each facility.
75. An application has been made to the government Public Service Decarbonisation Scheme to support investment in asset improvements to reduce carbon outputs and improve energy efficiency. The outcome of the application will be known in early 2023.

Resource implications

76. As detailed in paragraphs 26-30 the insourcing of the leisure service has significant resource implications. The two year Head of Leisure Insourcing has been in post since March 2022, and has overseen the recruitment of the operations, commercial and support manager roles, in line with the council's standard recruitment processes. After the mobilisation period is complete, and services bedded in, the Head of Leisure Insourcing role will end, and will be replaced by a permanent Head of Leisure Services and Facilities.
77. Officers have also completed recruitment of a Programme Manager, Leisure Operations Manager, Leisure Commercial Manager, Leisure Finance and Systems Manager and a HR Business partner. All posts started by the end of November, 2022.
78. Ongoing recruitment includes; an Applications System Team Leader, HR Learning and Development Business Partner, Marketing Coordinator, and Facilities Management Coordinator.
79. As noted in paragraphs 14 and 15, specific input and resource will be required from the various central support teams during the mobilisation phase and once the insourced leisure service has commenced.
80. Staff in the current leisure contract will be protected under the Transfer of Undertakings (Protection of Employment) legislation (TUPE). There are likely to be amendments to the final number of staff who will transfer under TUPE arrangements. The impact of these changes on HR and payroll will be managed as part of the HR working group.

Legal implications

81. As noted in paragraph 89-91 below.

Financial implications

82. The Cabinet report of 14/9/2021 which approved the recommendation to insource the leisure services also approved the mobilisation cost of £2.4m connected with this process to be funded from earmarked reserves.

83. The cost of this leisure insourcing process will be allocated against the revenue budgets of the Sports and Leisure team and any costs that cannot be contained within departmental revenue budgets will be submitted for funding from the earmarked reserves of £2.4m at year end.
84. A new and specific cost centre has been setup to collate and monitor all costs associated with the insourcing of the council's leisure facilities and related services. The related costs will be monitored and reported as part of the departmental revenue budget monitoring process.
85. A base budget £2.6m per annum has been set aside for the ongoing costs of operating the leisure services once the service is brought back in house. It was initially expected that this base budget of £2.6m together with the income to be generated across the leisure centres was sufficient to fund the service under an in-house arrangement. However, the current economic climate, cost of energy prices, cost of living crisis and its impact on income, together with the treatment of VAT for the service indicates that additional funding may be required. Work is currently underway to assess the extent of the additional funding required, and once confirmed, this will be incorporated into the council's budget setting process for 2023/24.

Consultation

86. Staff - Formal engagement and consultation will take place with existing Everyone Active staff as part of the TUPE process; this has been built into the programme plan. Consultation will also take place with the relevant Trade Unions as part of this process to assist with robust check and challenge of the programme management process. The aim is to make the transition from external contract to council employee as smooth and informed as possible. In addition to the formal processes, informal discussions are also taking place between staff (as supported by, and agreed with, EA) and with the unions, to seek to minimise disruption, reduce anxiety associated with change, and maximise opportunities.
87. Internal stakeholders – relevant teams and departments such as public health and adult and social care are part of the governance structure of the programme to insource the services. As such they have representatives on the corporate steering group, and the Programme Management Team will have regular workshop meetings to explore the insourcing route and future direction of the service in more detail.
88. External stakeholders and residents – consultation with these groups will take place through the marketing and communications workstream and as part of the Strategic Outcome Planning work.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

89. There are no specific legal implications arising from the recommendations in this report, which is an update report in respect of the planned insourcing. Advice has previously been given in the earlier reports to Cabinet concerning this insourcing, and specifically the gateway 1, which is still relevant.
90. Cabinet's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The PSED General Duty is a continuing duty, and therefore the Cabinet is specifically referred to the community, equalities (including socio-economic) and health impacts at paragraphs 58-70, setting out the consideration that has been given to equalities issues which should be considered when noting the recommendations in this report.
91. The Director of Law and Governance and her staff will continue to provide advice to officers on any legal and governance issues arising during the programme plan phases noted in Table 1.

Strategic Director of Finance and Governance (FC22/043)

92. The report is requesting Cabinet to note the progress that has been made in respect of the delivery of the project plan, the challenges and opportunities associated with insourcing, and management of risk in respect of the insourcing of the leisure service.
93. The strategic director of finance and governance notes the financial implication and understands that any additional funding required for operating the in-house service will be incorporated into the council's 2023/24 budget setting process for formal approval.
94. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Gateway 0 - Appraisal of management options for leisure centres	Leisure Team, 160 Tooley Street	Tara Quinn 07940788704
https://moderngov.southwark.gov.uk/documents/g6667/Public%20reports%20pack%20Tuesday%2009-Mar-2021%2011.00%20Cabinet.pdf?T=10		
Gateway 1 - Procurement Strategy Approval Insourcing the leisure service	Leisure Team, 160 Tooley Street	Tara Quinn 07940788704
https://moderngov.southwark.gov.uk/documents/s101258/Report%20Gateway%201%20-%20Procurement%20strategy%20approval%20insourcing%20the%20leisure%20service.pdf		

APPENDICES

No.	Title
Appendix - 1	Summary Staffing Structure

AUDIT TRAIL

Cabinet Member	Councillor Catherine Rose, Cabinet Member for Leisure, Parks, Streets and Clean Air	
Lead Officer	Toni Ainge, Director of Leisure	
Report Author	David Pugh, Head of Leisure Insourcing	
Version	Final	
Dated	24 November 2022	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Date final report sent to Constitutional Team		25 November 2022