

Item No. 7.	Classification: Open	Date: 6 February, 2023	Decision Maker: Audit, Governance & Standards Committee
Report title:		Leisure Insourcing – progress update	
Ward(s) or groups affected:		All wards	
From:		Toni Ainge – Director of Leisure	

RECOMMENDATION

1. That the information in the report and attached appendix is noted.

BACKGROUND INFORMATION

2. This report provides an overview of progress to date with insourcing the leisure service, in June 2023.
3. Following the recommendation of the GW0 report in March 2021, on 14 September 2021, the 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). A further update report was taken to Cabinet in December 2022.
4. As noted in those reports, 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.

KEY ISSUES FOR CONSIDERATION

5. Officers reported to the Audit, Governance and Standards Committee in October 2022. At this time, Members requested that officers return with a further update in 2023, prior to the insourcing going live in June. Specific requests were made for the following information:

- The provision of more detail in relation to the actions being undertaken during the mobilisation period, to provide additional reassurance in the lead up to the transfer in June 2023;
- Further information about communication with both residents and staff about the insourcing.

Both of these issues are considered below, and the Highlight report at Appendix one provides a substantial overview of the programme as a whole.

6. **Update on programme**

7. The insourcing programme has robust governance arrangements, with the following core components:
 - Joint Lead Member briefings
 - Sponsor Board – relevant strategic directors responsible for the core programme areas
 - Officer programme Board
 - Thematic project groups

A short summary of progress and key issues with each of the thematic groups are set out below, and in detail in the Appendix as follows:

- **HR** – a core mobilisation team has been recruited, to provide back office and management support to cover the areas currently provided by Everyone Active's head office, which will not be transferring with the contract. Significant work has been undertaken to understand the transferring group's (currently anticipated to be 316 staff) terms and conditions, reliant on draft TUPE information and discussions with Everyone Active. Meetings and discussions are also underway with both staff groups and union colleagues. The most recent staff meeting was on 24 January, 2023 and the most recent union meeting, was 27th January.
- **Finance** – work is moving towards completion of a detailed Target Operating Model. An additional £1.4m has been added to the budget, subject to Council approval, to address issues associated with the current economic challenges, including inflation.
- **ICT** – a new operating system (Gladstone) has been procured, and the team are working closely with the Gladstone team and the shared ICT team, as well as external suppliers, particularly Virgin, to ensure full systems integration from day one of the new service.
- **Procurement** - over 40 contracts have been identified for procurement, ranging from large contracts (e.g. cleaning and fitness equipment) right through to small contracts, (e.g. the purchase of consumables). Contracts will be procured in line with due process, including Contract Standing Orders.
- **Health & Safety** – following significant review, it has been agreed that the Council's Assure software is best placed to support the leisure-based Health and Safety requirements. Quality Management System compliance software is also currently being procured.

- **Facilities management** – each leisure asset has been the subject of a full asset review, undertaken by independent external facilities’ management consultants, BSP. The review has culminated in a full and detailed survey at each centre, which outlines repairs and maintenance requirements in the short, medium and long term, identifying whether the work falls to EA to remedy, or is a council responsibility. The surveys also flag opportunities for investment in more climate efficient plant and equipment, to support the borough’s Climate commitments.
- **Marketing and Communications** – a specialist marketing company, TA6, has been working with colleagues in the communications team, to engage with groups of users and non-users to develop a brand for the new service. The work is nearing completion, and the outcome will then drive significant other work, including uniform design and signage.
- **Contract Exit** (EA) – alongside plans to insource, officers are working towards Everyone Active’s exit, to ensure that all contractual requirements as set out in the 2016 contract are met.
- **Legal** – legal officers are supporting all elements of the insourcing process, to ensure that the service is insourced in line with legal, contractual and procurement requirements. This includes a wide remit of areas across the programme including, by means of example, contracts for new procured services, TUPE transfer, GDPR and the Scheme of Delegation.
- **Health** – leisure officers are working closely with colleagues in Public Health to ensure that current targeted public health programmes continue (e.g. Steps to health GP referral programme), as well as starting discussions about new opportunities afforded by the insourcing approach. A wider piece of work is due to commence shortly, to support this strategic development work, (Strategic Outcome Planning Framework) – which will include discussions with both officers across the council (particularly public health, adult social care and children’s services) and the wider health system (Integrated Care System). It is proposed to commence this work shortly, but this strategic work is intentionally running behind the June insourcing date, to ensure that initial focus on a safe landing of the service from 20 June 2023, is the main priority this summer.

Policy framework implications

8. 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”
9. The refreshed Delivery Plan (2022 – 23) sets out a series of commitments across eight themes. Leisure centre provision contributes to the delivery of these commitments. In particular, the Plan states,
10. “Establish a new in-house active Southwark service, with access to a wide range of activities, across our pools, leisure centres, outdoor gyms, parks,

and sports facilities’.

11. 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

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

12. As noted above, the council will be undertaking strategic outcomes planning which will reflect upon how and where the in-house leisure service can contribute most 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.
13. 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 changes are proposed.
14. 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.
15. The Equalities Impact Assessment will be updated at key milestones throughout the process.

Equalities (including socio-economic) impact statement

16. 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.
17. 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.

18. 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.
19. 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

20. The long term objectives of insourcing the leisure services 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.
21. 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, before reviewing the offer.
22. The Project Delivery Team will be consulting 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.

Climate change implications

23. 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.
24. 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.
25. A full energy assessment and impact study has been completed for each facility.

Resource implications

26. Insourcing of the leisure service has significant resource implications. In terms of people resource, the Head of Leisure Insourcing has overseen the recruitment of the operations, commercial and finance/systems manager roles, as well as other key management / back office posts, including a Programme Manager, an applications systems team leader and a HR Business partner.
27. Other posts being recruited in early 2023 include an HR Learning and Development Business Partner, a Marketing Coordinator, and Facilities Management Coordinator.
28. 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.

Financial implications

29. The cabinet report of 14/9/2021 approved a one-off mobilisation budget of £2.4m.
30. In addition to the base leisure budget, the 2023-24 budget includes, subject to Council approval, a commitment of £1.4m additional revenue funding, to help address issues associated with the current economic climate, including inflation.
31. 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.

Consultation

32. Staff - Formal engagement and consultation will take place with existing Everyone Active staff as part of the TUPE process. 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.
33. 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.

34. External stakeholders and residents –Consultation with existing users and other residents will take place as part of the Strategic Outcome Planning work. Focus groups have also been set up to discuss the development of the new brand.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

35. There are no specific legal implications arising from the recommendations in this report, which is an update report in respect of the planned insourcing.
36. 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 Members are specifically referred to the community, equalities (including socio-economic) and health impacts in the report, which set out the consideration that has been given to equalities issues.
37. The Director of Law and Governance and her staff will continue to provide advice to officers on any legal and governance issues arising.

Strategic Director of Finance and Governance (EL22/122)

38. The report is requesting Members 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.
39. The strategic director of finance and governance notes the financial implication on the funding arrangements and understands that any mobilisation costs will be incorporated within the departmental revenue budget monitoring and reporting arrangements.
40. 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 See link below -	Leisure/ Leisure Insourcing 160 Tooley Street, London Borough of Southwark, SE1 2QH	David Pugh 07889 303163
Gateway 0 - Appraisal of Management Options for Leisure Centres.pdf		
Gateway 1 - Procurement Strategy Approval - Insourcing the leisure service See link below –		
Gateway 1 - Procurement Strategy Approval - Insourcing the leisure service.pdf		

APPENDICES

No.	Title
Appendix 1	Q3 Member Highlight report

AUDIT TRAIL

Lead Officer	Toni Ainge, Director of Leisure		
Report Author	David Pugh, head of Leisure Insourcing		
Version	Final		
Dated	27 January 2023		
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
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			27 January 2023