

Item No. 8.	Classification: Open	Date: 5 February, 2024	Decision Maker: Audit, Governance & Standards Committee
Report title:		Leisure Insourcing – Transfer and First 7 Months	
Ward(s) or groups affected:		All Borough	
From:		David Pugh – Head of Leisure Insourcing	

RECOMMENDATION

1. That the Audit, Governance and Standards Committee note the information in this report in relation to the insourcing of the leisure service and first seven months of operation.

BACKGROUND INFORMATION

2. This report provides an overview of the transfer of leisure service which occurred on 21 June 2023 and outlines progress to date with the first seven months of operation.
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.
 - Transferring the service as smoothly as possible for customers
 - Transferring the service as smoothly as possible for staff
 - Wide reaching cross council and whole system collaboration, which further enhances the health and well-being of Southwark's residents.
 - Delivering a value for money service.

KEY ISSUES FOR CONSIDERATION

5. Officers updated the Audit, Governance and Standards Committee in February 2023. Specific reference was made to:
 - The arrangements for building cleaning and plans for consideration of insourcing cleaning activities.
 - The exit of the previous contractor and impact on asset maintenance and customer attendance.
 - Online booking arrangements and ensuring equitable access to services in the future.
 - Access to data and measurement of participation.

At this time, Members requested that officers return with a further update in 2024 to provide a review of the transfer and progress against expectations to date. An update is provided in **Appendix 1** relating to the matters raised.

Overview of Transfer

A short summary of outcomes for each thematic area of work follows:

6. **HR** – Everyone Active provided TUPE information in accordance with regulatory requirements. In total, this equated to information on 443 staff, covering 934 individual contracts. A team of officers spent an initial period checking the accuracy of information provided, including validating inaccurate and missing data. A key focus was placed on clarifying information with the TUPE transferring colleagues, and integrating them into council processes and systems.
7. **Finance** – A Target Operating Model and a budget was established for the delivery of services in 2023/24. This budget has been subjected to ongoing reporting and review. At this time it is anticipated that the service will be delivered on budget.
8. **ICT** – A new booking and payment system was operational at transfer; although challenges remained over connection of a broadband connection to individual facilities, due to network provider delays, and in implementing a fully functioning automated gate system. However, effective contingency planning ensured that all services remained accessible on transfer. Implementation of a new website and app proved challenging, principally due to differences with the outgoing contractor's system. These matters have now, predominately, been addressed and there is general satisfaction with the current provision, whilst work is ongoing to deliver improvements based around customers' experiences.
9. **Procurement** - Over 40 contracts have been put in place to support operation of the service and colleagues continue to explore opportunities for improving quality and value through alternative vendors in accordance with Contract Standing Orders. Appropriate staff are trained and able to

use the council system for the daily procurement of goods and services.

10. **Health & Safety** – The service is using the council's Assure software to meet accident, incident and reporting requirements. A new software system, called 'Harvard', in recognition of local academic 'John Harvard', has been implemented to meet all quality system requirements. The system continues to evolve and provides the foundation for storage and retrieval of information relating to safe operation of the service.
11. **Facilities management** – each leisure asset has been the subject of a full asset review, undertaken by independent external facilities' management consultants, BSP. The review 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 Everyone Active 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. Some significant asset-based issues have arisen, over recent months, resulting in some closure of facilities post-transfer, to enable issues to be addressed and equipment restored to an appropriate standard. Planned Preventative maintenance schedules are now in place and appropriate investment is being made.
12. **Marketing and Communications** – a communications plan was put in place prior to transfer to ensure customers remained informed of the changes and any impact on access to facilities and booking arrangements. The same programme remained in place at transfer, and there was minimum disruption to service provision, and a 'same day' seamless transfer was put in place. A full marketing strategy and marketing plan has also been developed. Staff benefitted from supply of a new, high quality uniform and all signage in the centres was changed to reflect the council's new role in operating the facilities.
13. **Contract Exit (EA)** – Transfer occurred at midnight on 20 June and services resumed at noon on 21 June. A reconciliation of liabilities is underway to ensure that the contract exit obligations of both parties are fully met.
14. **Legal** – legal officers are supporting all elements of the new services. 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.
15. **Public 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 has recently commenced, to support this strategic development work, which will include discussions with both officers across the council (particularly public health, adult social care and children's

services) and the wider Integrated Care System. This work has commenced, and will culminate in a new strategy and action plan later this year.

Post Transfer Performance

16. The service was able to transfer on 21 June 2023 as planned and in general, has been well received by Southwark's residents. Some of the challenges faced, and solutions implemented in the first seven months of service, are outline below.

Assets

17. A full condition survey of the buildings pre-transfer, identified areas that required immediate works including; CCTV, Boiler Works, Lift Replacement, and other works, totaling £675,000. This cost was shared with the outgoing contractor and arranged by the council.
18. The service organized and managed the delivery of the council's planned capital programme for 2023/24 including; Pontoon Replacement at the Watersport Centre, essential repairs to Dulwich Roof, Peckham Pool Calorifiers replacement, Castle Fire Escape upgrade, automated access gates repair and replacement, fitness equipment repairs and aesthetic improvements at various centres.
19. There were immediate issues identified with some pool plant and swimming pools at Peckham and Dulwich, which resulted in temporary closures. This required significant urgent maintenance work in the swimming pool plant rooms. The issues have now been resolved, although issues with external gas supply at Dulwich which was outside the council control and led to further unavoidable closure of Dulwich pool in the late autumn
20. Connectivity to the broadband internet system was delayed at all sites due to a failure of the service provider (Virgin) to meet agreed delivery timescales. This was mitigated by the implementation of a contingency plan to install 5G connectivity prior to transfer.
21. A full lifecycle preventative maintenance programme has now been put in place and an approved capital programme of £8 million pounds is available over the next four years to maintain and improve asset standards and sustainability.
22. There is a programme of investment identified to support the council's climate ambitions around energy efficiency and carbon reduction. A package of measures totaling £600,000 will be implemented over the next four months. A grant application to the DCMS Public Service Decarbonisation Scheme, for £5 million, has been submitted for provision of Air Source Heat Pumps at four centres.

Staff and Harmonisation

23. 437 employees transferred from the contractor's employment to council employment on 21st June. All employment continued on employee's current terms and conditions of employment. A process is currently in progress to achieve harmonisation of current employment arrangements with council terms and conditions, with a target date of implementation of 1st April 2024. (Staff are protected by TUPE so do not have to transfer onto Council terms and Conditions, should they choose not to do so).
24. A comprehensive induction and reorientation plan was put in place for all staff and continues to be delivered.

Communications and Marketing

25. A communications and marketing plan ensured effective communication with customers to achieve a seamless transition between services. Key signage was replaced overnight, the booking and payment system went live, deep cleaning took place overnight, staff in new uniform were ready to greet customers for the start of the new service.
26. Post transfer, the web site, the App, and social media plans were activated and have been subject to continuous monitoring and improvement where practical.

Finance

27. This is the first year of trading for the new leisure service and information collated on a continuous basis. The budget for 2023/24 was built on a number of assumptions. As anticipated, the circumstances of actual trading are proving different to some of the assumptions made. However, the overall forecast for the financial year 2023/24 is that the service will be delivered within budget.
28. There were various exceptional circumstance in June to September 2023, due to operational challenges and data cleansing exercise, which affected income levels achieved, however good performance from the autumn onwards has compensated for these immediate issues, with a combination of factors supporting the position, including beneficial changes to VAT regulations, and variations between pension scheme uptake assumptions and the actual position post-transfer.

Policy framework implications

29. 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: The Council Delivery Plan (2023 – 24) sets out a series of commitments across eight themes. Leisure centre provision contributes to the delivery of these commitments. In particular, the Plan

states,

“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’.

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

30. In terms of the insourcing process, there has been limited impact on the community as the service has been transferred on a like for like basis.
31. In terms of the wider service offer, as noted above, the council is developing a new leisure strategy. The aim is to ensure that opportunities for universal leisure, alongside targeted health and well-being programmes are maximized so that the in-house leisure service contributes most positively to the delivery of the council’s, and wider health system’s, wider strategic outcomes. This will ensure that the insourced service maximizes opportunities to deliver specific objectives and priorities, as set out in the Council Delivery Plan, the ‘Southwark Stands Together’ pledges, with a targeted focus on local need, as identified through data such as the JSNA, and the strategic objectives of relevant partners and stakeholders. In particular, this work will focus on the scope of the in-house leisure service to help to address health and other inequalities in Southwark.
32. Potential community impact would relate to any changes implemented based on the result of the strategy. Equalities impact assessments will be carried out during strategy development, to understand and respond to, any community impact.

Equalities (including socio-economic) impact statement

33. 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 is within the insourcing of the leisure services are set out in the following paragraphs.
34. One of the council’s key objectives of insourcing the service was to increase the numbers of locally employed people who will benefit from the council’s favourable employment terms and conditions.
35. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that all staff and contractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate.

36. The council has appointed four Leisure Team Member Apprentices on a pioneering programme, working across all leisure sites for four days a week, with one day focused on training.

Health Impact statement

37. 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.
38. The Leisure Team is currently in discussion with key health stakeholders such as the Public Health team and others in the council, and across the wider health system (ICS) to develop the long-term vision for the service. This will ensure that it remains closely aligned to current policies and strategies for reducing health inequalities and providing equitable access to services for all residents.

Climate change implications

39. The service is seeking to be at the forefront of the Council's Climate commitments helping to deliver on the key objectives from the Climate Emergency Action plan approved by cabinet in July 2021.
40. A full energy assessment and impact study has been completed and a sustainable energy programme of works and investment has been identified and is in progress across all sites.
41. A programme of short term measures amounting to a £600k investment has been progressed covering; LED Lighting, Replacement Swimming Pool Covers and Building Energy Management System Software. This is estimated to provide an annual carbon reduction of 287 tonnes and annual revenue saving of £150,000 in 2024-25, and a total of £345,000 by 2027.
42. The council has set some high targets for the reductions in carbon emissions for public building by 2025. Leisure Centres represent a significant part of the council's total output for public buildings (30%) and a big opportunity to make a significant difference. A new DCMS funding stream, the Public Service Decarbonisation Scheme opened in October 2023 and an application for funding was prepared and submitted. If the bid is successful, it will require a council contribution of £600k towards the total project costs of £5.1m to provide air source heat pumps and solar energy conservation and decarbonisation across four leisure facilities. This investment should achieve a 556 tonnes CO₂e reduction in carbon emissions.
43. A further grant application of £250,000 has been made to Sport England to support investment in solar energy solutions to reduce the cost impact

of energy cost rises.

Financial implications

44. The 2022-23 base budget agreed for leisure services was £4.9m, based on a Target Operating Model. After this budget was set, the economic situation has become more challenging, the cost of harmonization has been finalized, and the level of maintenance required across the sites has become clearer. This resulted in a further commitment of £1m being agreed for leisure through the 2024-25 budget-setting process.
45. Simultaneously, however, future savings have also been identified, including savings associated with climate investment, additional income, and also savings linked to the transfer of operation from the Seven Islands leisure centre to the new Canada Water leisure centre in 2025. The savings equate to £1.6m, which will offset the additional investment made, as well as reducing the cost of the base budget.
46. All related income and costs are reported within the council's main reporting system. All performance continues to be monitored and reported as part of the departmental revenue budget monitoring process.
47. The service expects to deliver a 2023/2024 Revenue budget in line with expectations. A reduction in the level of anticipated revenue due to operational challenges at transfer have been compensated by an over estimation of costs, creating a balanced forecast for year end.
48. The mobilisation and transfer process was also enabled by a cash reserve of £2.4m, which was approved by cabinet in 2021. It is anticipated that the balance of this reserve will be drawn down in full this financial year.

Marketing and Consultation

49. A full marketing and communication plan is now in place across the service, to help promote services across the borough.
50. Internal stakeholders – relevant teams and departments such as public health and adult and social care continue to support delivery of the new service and meet to discuss, develop and implement joint initiatives and projects.
51. External stakeholders and residents – high level consultation with existing users has taken place through the Vision 2030 programme. Further consultation will be undertaken as part of the Leisure Strategy development process, during 2024.
52. The Leisure Centres have a planned programme of consultation in place using a variety of data collection methods, including: mystery shopping, monitoring of complaints, monitoring of social media sites and collection of

national promotor score data, through the membership system.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Assistant Chief Executive – Governance and Assurance (Con/KM/20240126)

53. There are no specific legal implications arising from the recommendation in this report, which is an update report in respect of the insourcing of the leisure service in June 2023 and the first seven months of operation.
54. Staff from Legal Services on behalf of the Assistant Chief Executive – Governance and Assurance have provided advice throughout the transition of the service, and will continue to provide advice to officers on any legal and governance issues arising going forward.

Strategic Director of Finance and Governance (ENG23/137)

55. 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.
56. 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 (including earmarked reserves).
57. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
(Public Pack)Agenda Document for Cabinet, 08/03/2022 11:00 (southwark.gov.uk) - Agenda Item 13	Leisure/ Leisure Insourcing 160 Tooley Street, London Borough of Southwark, SE1 2QH	David Pugh 07889303163

APPENDICES

No.	Title
Appendix 1	Members Update from previous meeting (Feb 2023)

AUDIT TRAIL

Lead Officer	Toni Ainge, Director of Leisure	
Report Author	David Pugh, Head of Leisure Insourcing	
Version	Final	
Dated	25 January 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive Governance & Assurance	Yes	Yes
Strategic Director of Finance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		26 January 2024

Appendix 1 – Members Update from previous meeting (Feb 2023)

Cleaning

We are working closely with our delivery partner Rapid Clean. In addition to our own daily and weekly quality inspection reviews, we meet with Rapid on a monthly basis to review their quality checks and outcomes and identify any areas for improvement.

The current delivery score across the service, against agreed standards is 95%. Any monthly score below 90% triggers financial penalties for the service provider. We have not been required to impose any penalties to date.

Site Investment Repair and Maintenance Post Transfer.

Following transfer, significant work has been undertaken to meet operational service requirements. The principal work undertaken is shown in the table below.

Site	Asset	Amount
Castle	New Turnstiles	£75,000
Peckham	New Lift	£70,000
Castle	Reinstate lift	£10,000
Peckham/Castle	Sauna repairs	£10,000
Camberwell	Roof Repairs	£70,000 (another £180k to spend)
All sites (Pools)	Repairs and replacement to pumps, pipework, valves etc.	£90,000
Castle	Front Doors	£7,000
All Centres	Heating, Ventilation & AC	£130,000 (plus £100k servicing and smaller repair works)
All Centres	Alarm Systems	£30,000
Dulwich	Additional roof works	£70,000
Peckham	Replacement hoist	£8,000
All Centres	General building fabric works	£95,000
All Centres	MEP works (mechanical, electrical, plumbing)	£70,000
All Centres	Deep Cleaning	£80,000
TOTAL		£815,000

In addition to these works, we are investing heavily to improve the efficiency of our building and reduce our carbon footprint. This includes investing in Pool Covers (£97k), LED Lighting upgrades (£300k), Solar PV (£568k), Improvements to our Building Management Systems (£150k) and replacing all the existing gas boilers with Heat pumps powered by green electricity (£6m).

Based on our experience of operating the facilities and the outcome of detailed condition surveys, we have secured a capital investment programme of £8 million pounds over the next four years to ensure a high quality environment and customer experience for future service delivery. The preliminary programme for 24/25 includes:

- Replacement Air Handling at Dulwich (possibly Peckham and Camberwell)
- Changing room refurbishments across the centres
- General building fabric improvements across the centres
- Replacement of aging pool plant.
- Climate change resilience works
- Replacement of CCTV systems

Online Booking Arrangements

Work has continued to ensure effective and equitable access to online booking facilities. We have identified six key issues relating to website and App functionality since transfer. We have resolved three relating to the use of filters on the android App. We have three outstanding issues, which link to the provision of notifications to customers regarding class waiting lists. The three outstanding issues require additional software development, which we have commissioned and expect to be effective by the end of March. We continue to review customer comments on the website and App provision and have a team of colleagues in customer service focused on delivering improvements where possible.

Access to Data and Measurement of Participation.

Data continues to be collected via the new Gladstone 360 booking system and reporting systems developed. We expect to have full reporting and KPI capability by the end of March.

Attendance data continues to be collected since transfer. The data is impacted by the challenges we encountered at transfer with the automatic gates. In the absence of fully functioning automated gates until October 2023 the attendance levels recorded in each centre are understated.

		Target	Actual(Forecast)	Comments
Q1 – April May 2023	EA	740,000	738,824	Data supplied by EA in accordance with contract reporting requirements.
Q2 – June Sept 2023	LBS	765,000	318,400	System and automated gates data collection issues. Understated attendance levels.
Q3 – Oct – Dec 2023	LBS	676,000	569,893	Closures and further work on data collection methodology, currently not

				in line with EA methodology.
Q4 - Jan – Mar 2024	LBS	786,000	(786,000)	Forecast
Total		2,967,000	2,413,117	

Membership

The Table below illustrates the total number of paid subscriptions received by the Council following transfer in June 2023. The target model is to achieve 21,000 Direct Debit (DD) members and 4,000 Annual members. Following a cleansing of data provided by the previous contractor, we are now building towards the target and expect by financial year end to reach the target level.

	Aug*	Sep*	Oct	Nov	Dec
No. of DD members^	17,609	17,696	17,182	18,762	18,907
No. of Annual members	3,149	3,366	3,293	3,216	3,409
Total	20,758	21,062	20,475	21,978	22,316
*Figure included old DD members which were incorrectly transferred from EA					
^ as per DD 1st of month run, does not include new joiner (pro-rata)					