

CABINET 13 SEPTEMBER 2021

Report title: Leisure Services Provision from April 2022

Wards: All

Portfolio: Cabinet Member for Voluntary Sector and Leisure: Councillor Donatus Anyanwu

Report Authorised by: Bayo Dosunmu: Strategic Director for Resident Services

Contact for enquiries: Kevin Crook, Assistant Director Neighbourhoods, 020 7926 8973
kcrook@lambeth.gov.uk

REPORT SUMMARY

Lambeth's contract with Greenwich Leisure Ltd (GLL) for the provision of Leisure Services commenced on 1 April 2007 and expires on 31 March 2022. The impact of the Covid-19 pandemic on the leisure industry has been significant and the industry is now starting to re-build, with the recent lifting of all restrictions. However, we are still in a period of uncertainty regarding the possibility of future restrictions on leisure activity. Therefore, this report recommends that the Council agrees a one-year extension with GLL in order to provide stability and hopefully allow sufficient time for a full conclusion to the pandemic.

The report also recommends that Leisure Services are fully insourced once the GLL extension expires. This would allow the Council to retain all the income generated through the leisure facilities and have full control over the management and service operation. It would allow the Council to respond more flexibly to meeting the Council's strategic priorities and provide opportunities for closer inter-departmental working and stronger external partnerships to deliver strategic outcomes in a more innovative and joined-up fashion.

FINANCE SUMMARY

A one-year contract extension creates no additional cost to the Council and the committed annual saving of £500,000 has been agreed with GLL through cessation of the management fee. The initial financial modelling of in-house provision indicates that the service will be able to recover and generate the budgeted income, with the opportunity for further increases as we enhance the offer. Detailed financial modelling and due diligence will be undertaken as the proposal progresses forward.

RECOMMENDATIONS

1. To insource Leisure Services from 1 April 2023.
2. To agree a one-year extension of the existing Leisure Services contract with Greenwich Leisure Limited (GLL), from 1 April 2022 until 31 March 2023; and to delegate authority to the Strategic Director for Resident Services in consultation with the Cabinet Member for Voluntary Sector and Leisure, to finalise the arrangements for the extension.
3. To agree the commencement of a procurement exercise to secure specialist support for the creation of a detailed implementation and transition plan for the new in-house service.

REASONS FOR EXEMPTION FROM DISCLOSURE

The accompanying part II report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

3. Information relating to the financial or business affairs of a particular person (including the authority holding that information).

1. CONTEXT

- 1.1 The Council's 15-year Leisure Services contract with Greenwich Leisure Ltd (GLL) commenced on 1 April 2007 and ends on 31 March 2022.
- 1.2 Since the contract commenced, Lambeth has upgraded or expanded the facilities managed through it and the full list is now: Brixton, Clapham, Ferndale, Flaxman, Streatham and West Norwood Leisure Centres, as well as the recently refurbished sports facilities in Archbishop's Park and at Rookery Road on Clapham Common. Vauxhall Leisure Centre and the Herne Hill Lifestyle Centre are operated by GLL outside of the contract.
- 1.3 Covid-19 has had a significant impact on the leisure industry through loss of income and changes in people's leisure habits. Other boroughs have also taken up the option to extend their contracts to better ascertain the longer-term impact of the pandemic and the recovery of the leisure sector. This includes Tower Hamlets who are in a very similar contractual position to Lambeth. Their contract with GLL also ends on 31 March 2022 and they recently agreed an extension with GLL.
- 1.4 Sport England launched their new 10-year national Sports Strategy '*Uniting the Movement*' on 26 January. Lambeth's current sport and physical activity strategies (contained within the Active Lambeth Plan) expired in 2020 and the Council is currently developing a new strategy in line with Sport England's vision. This needs to inform the specification for the new delivery model and 12 months is a short timescale for all of this work to be completed effectively and with sufficient consultation and engagement.
- 1.5 In terms of exploring opportunities for joint-working with other London boroughs, a one-year extension of our existing contract provides better opportunities in terms of aligning with the dates that relevant contracts held by neighbouring boroughs end.
- 1.6 Lambeth Labour has a manifesto commitment to bring services back in-house where this will improve services for residents and deliver better value for money. An in-house model would enable greater flexibility over delivering the Council's strategic aims and provide the potential for enhanced partnership working, both internally and externally.
- 1.7 The construction of new leisure centres in recent years means that the service generates a high level of income, and the Council wishes to ensure maximum benefits for the borough and its residents.
- 1.8 With the assistance of an external leisure consultancy, officers have completed an options appraisal as part of the decision-making process for informing our future options. This initially explored five options:
 - **Option 1** - Services to be managed directly by the Council.
 - **Option 2** - Outsource the management through a tendering process.
 - **Option 3** - Asset disposal via sale or long-term lease.
 - **Option 4** - Establish a new company, either an independent Trust or a wholly owned operating vehicle.
 - **Option 5** - Develop a joint venture/partnership with an external organisation(s) or with other local authorities.
- 1.9 Option 3 was not taken forward for detailed consideration because the assessment of our consultants was that there is unlikely to be a market for this type and scale of transaction, it would not deliver on the Council's stated wider outcomes and would be politically difficult to deliver. Option 5 was also not explored further as there is unlikely to be any market appetite for such an operational arrangement and little financial benefit. No market testing was undertaken. However, paragraph 2.7, below, outlines possible joint working with other local authorities.

- 1.10 Option 4 was not a preferred option because the operating model would not offer the control and flexibility of an in-house service. It would not provide a strong level of synergy with the sports development team and the management of sports facilities and activities within parks. The options appraisal did not forecast any increase in net income from leisure centres under this model. Although it could have advantages in terms of pension liabilities and VAT, the model would have significant administrative costs, set-up is complex and there can be difficulty in recruiting trustees of suitable expertise and calibre.
- 1.11 Options 1 and 2 were taken forward for more detailed consideration. An evaluation of both options has been undertaken, combining input from our consultants with detailed internal financial assessments.
- 1.12 The recommendations in this report support Lambeth's Borough Plan goal of making our neighbourhoods and town centres attractive with high-quality leisure and cultural facilities. Our proposals aim to increase investment into our facilities, as well as enhancing the service offer.

2. PROPOSAL AND REASONS

- 2.1 It is proposed that a one-year extension of the existing contract with GLL is agreed. Formal terms have been agreed with GLL and several changes to the existing contract conditions will be implemented as a variation. In summary the negotiated extension covers the following changes:
- a. Removal of the existing annual management fee paid by Lambeth to GLL.
 - b. Open book accounting to continue.
 - c. Change in surplus share split to:
 - Lambeth 42%
 - Investment reserve 30%
 - GLL 18%
 - Active Lambeth Fund 10%.
 - d. Lambeth will invoice GLL every two months in arrears for our allocation of the surplus share.
 - e. Vauxhall Leisure Centre: GLL have a long lease of this facility from the building owners. GLL have offered to continue to brand it as a Lambeth leisure facility and offer the same concessionary pricing as at other Lambeth facilities in exchange for an annual payment, to compensate for lost income and provision has been made for continuing to fund this under the in-house model.
 - f. The bookings service for parks-based sports facilities will transfer in-house to Lambeth's Parks and Leisure Services team with effect from 1 April 2022.
 - g. The Herne Hill Lifestyle Centre will be varied into the contract.
 - h. Joint operational meetings will be held fortnightly.
- 2.2 In terms of a delivery model from 2023, based on the evaluation work undertaken, both options considered in detail are viable, but the preferred option for our future delivery model is Option 1 – direct service management by Lambeth. Some of the advantages of insourcing are:
- The Council gains full control of the income and can ensure all profit is used to support its strategic objectives. An improved net financial position is forecast.
 - Terms and conditions for staff will improve, which should aid with morale and retention.
 - Full control of the facilities allowing greater flexibility around decision-making and changes to the service offer.
 - Potential for closer working with other Lambeth teams, as well as for partnerships with neighbouring boroughs to deliver efficiencies.
- 2.3 The evaluation criteria are shown in the table below.

Criteria	Description	Weighting
Service delivery	This covers service accessibility, flexibility to respond to market trends, policies and priorities, ICT systems, marketing, customer satisfaction, service quality, integrated delivery across open spaces and in the community, social outcomes and innovation	30%
Financial issues	This covers service delivery costs, income maximisation for Lambeth's benefit and net profit	30%
Meeting Lambeth's strategic objectives	This covers partnerships, employment opportunities, concession pricing and targeted offers, working with neighbouring boroughs, carbon neutrality and environmental performance, health and wellbeing and benefits for young people/nurturing talent	20%
Risk management	This covers responding to changes in law, utility pricing and financial resilience	10%
Capital investment	This covers the ability and desire to invest in assets	10%
TOTAL		100%

2.4 Each element was scored from 0 to 5 using the descriptions below.

Score	Rating	Description
0	Disbenefit	The outcome only impacts negatively
1	Unacceptable	A poor outcome, unsatisfactory. Very little or no confidence that the requirements can be delivered
2	Poor	Lower than average performance. Reservations that the requirements can be delivered
3	Acceptable	Would deliver an average outcome. Confidence that the requirements can be met. Offers an acceptable approach/solution to delivering the requirements utilising standard strategies, plans, tools, methods or technologies
4	Good	Higher than average performance. Confidence that the requirements can be delivered. Offers a good approach/solution to delivering the requirements, utilising appropriately tailored strategies, plans, tools, methods or technologies
5	Excellent	Provides significant benefit. High level of confidence that the requirements can be delivered. Offers an exceptional approach/solution to delivering the requirements utilising appropriately tailored and at times innovative strategies, plans, tools, methods or technologies

2.5 The overall score was calculated using a combination of the individual scores and the weighting given against each of the criteria. The maximum available score was 100 and the total scores are shown in the table below.

Management option	Total score
Insourcing	78.60
Concession contract	70.35

The detailed evaluation results are set out in the Part II (confidential) report.

- 2.6 In terms of facilities provided under the new service, it is not proposed to make any changes to existing leisure centres owned by Lambeth. All centres will continue to be operated as public facilities. Brockwell Lido, whilst owned by Lambeth, is currently leased to and operated by Fusion, outside of the leisure contract. Lambeth will look to eventually add the Lido to the portfolio of sites within the service offer. The Council will continue to work in close partnership with Coin Street Community Builders regarding the provision of their new leisure centre in the north of the borough on Doon Street, which the Council is contributing towards via substantial Section 106 covenants. As noted above, Herne Hill Lifestyle Centre will be varied into the contract with effect from 1 April 2022.
- 2.7 Discussions have been held at a senior level with neighbouring boroughs regarding joint working in various forms, including joint procurement for consumables etc. and servicing arrangements. As a result of these it is proposed that options for joint working are explored further. The one-year extension helps facilitate joint-working by making contract end dates co-terminus.
- 2.8 The new service will need to make provision for ongoing capital investment into facilities, currently provided through the Development Pot. There is no allocation for sport and leisure within the corporate five-year capital investment programme, apart from the existing allocation for the Brixton Recreation Centre.
- 2.9 Brixton Recreation Centre requires a degree of separate consideration because of its size, age, complexity and Listed status. Extensive options analysis work has identified net benefits for the wider area if the life of the centre is extended as far as possible, as opposed to being rebuilt. At present, a multi-million-pound project is underway to replace mechanical and electrical components and complete other vital maintenance works. In addition, work has commenced on examining long-term options for refreshing the internal layout of the building to modernise and diversify the customer offer and increase income generation. Dependent on funding this would result in a longer-term programme of internal refurbishment which would be likely to require phased closure of parts of the centre. Part of the transition and implementation plan for the new service delivery model will include development of this capital investment programme, with changes subject to a separate decision report.
- 2.10 The Council's Active Lambeth Strategy expired in 2020 and a revised strategy has been drafted and will be subject to public consultation later in 2021. Extensive internal engagement has already taken place to identify how the new leisure services model can contribute towards achieving a wider set of strategic objectives across the authority. The new strategy will help define the in-house service moving forward, tailoring provision to ensure that it is as reflective as possible of Lambeth's Borough Plan goals.
- 2.11 It is proposed to undertake a separate procurement exercise to secure specialist help to assist with a detailed transition and implementation plan for creating the in-house service. The intention will be to fund this from the Development Pot or leisure budget.

3. FINANCE

- 3.1 A one-year contract extension creates no additional cost to the Council. There is a committed annual saving forming part of Lambeth's Mid-Term Financial Strategy of £500,000 from 2022/23 onwards. This will be secured through cessation of the management fee paid to GLL, which is currently just over £600,000 per year. There will be an additional cost of £170,000 per year for the continuation of the concession arrangements at Vauxhall, to be covered by the profit share arrangements.

- 3.2 The initial financial modelling of an in-house provision indicates that the service will be able to recover and generate the budgeted income with the opportunity for further increases as we enhance the offer, achieving a net financial benefit to the authority, despite the increase in pension contributions and business rates. The service will not be taking advantage of the ability to exempt VAT on leisure activities because of the wider impact on Lambeth's financial position.
- 3.3 The Leisure service has an income target of £1m which has not been met in recent years. For 2019/20 the surplus share to Lambeth arising from leisure centre income was approximately £400,000. An expected improved financial position from an insourced model should help improve performance in this respect.
- 3.4 The percentage of the surplus allocated to reinvestment into leisure facilities will require the creation of a reserve account with the move to an in-house model.
- 3.5 Detailed financial modelling and due diligence will be undertaken as the proposal progresses to ensure that inhouse service provides the best value to the Council.

4. LEGAL AND DEMOCRACY

- 4.1 The authority to enact this report's recommendation to extend the contract comes under the Cabinet Member for Voluntary Sector and Leisure portfolio, in consultation with the Leader of the Council, which will be delegated to the Strategic Director for Resident Services in consultation with the Cabinet Member. Before exercising that authority, this decision should be reviewed by the Procurement Board.
- 4.2 Section 1 of the Localism Act 2011 provides the Council with the power to do anything that individuals generally may do. This power can be used for commercial purposes or otherwise for a charge, or without a charge. The Council may exercise this power for the benefit of the authority, its area, or persons resident or present in its area. This general power is limited by any restrictions in any existing or future legislation.
- 4.3 Section 111 of the Local Government Act 1972 provides powers for a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.
- 4.4 Under section 3 of the Local Government Act 1999 the Council has a general 'best value' duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 4.5 The Public Contracts Regulations 2015 allow for the modification of contracts (in this case a one-year extension) without a new procurement procedure where, due to circumstances which a diligent contracting authority could not have foreseen, additional services have become necessary and where a change of contractor cannot be made, for technical reasons such as requirements of interchangeability or interoperability with existing equipment, without causing significant inconvenience or substantial duplication of costs for the contracting authority. The modification must not alter the overall nature of the contract and any increase in price must not exceed 50% of the value of the original contract.
- 4.6 This proposed key decision was entered in the Forward Plan on 15 March 2021 and the necessary 28 clear days' notice has been given. The report will be published for five clear days before the decision is considered by Cabinet. Should it be approved and following the publication of the Cabinet minutes, a further period of five clear days, the call-in period, must then elapse before the decision becomes effective. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. CONSULTATION AND CO-PRODUCTION

5.1 Widespread internal consultation has taken place in the preparation of this report.

5.2 The Stakeholder Matrix table below illustrates the consultation undertaken.

Stakeholders	Interest	Action
Procurement Category Manager	All stages	1. Conduct pre-procurement engagement 2. Kept updated on progress and planning
Cabinet Member	All stages	1. Conduct pre-procurement engagement 2. Consulted at each stage
Cabinet	Key stages	1. Kept updated on progress and planning
CE and Senior Management Team	Key stages	1. Kept updated on progress and planning via Management Board
Project Sponsor (Strategic Director)	All stages and securing Cabinet Member agreement	1. Kept Strategic Director updated on progress fortnightly via Strategic High Value Procurements Programme Board; key stage updates at Departmental Management Team

5.3 The main internal and external consultation will take place in relation to finalising the service offer moving forward. The provision of sport and leisure services has a fundamental role to play in the delivery of multiple Borough Plan objectives. To this end internal working groups are being established, bringing together councillors and officers representing all relevant service areas. In addition, work has started on creating a new Sports Partnership Board which will create a forum for engagement with key stakeholders regarding Lambeth's approach to strategy and delivery regarding sport and physical activity.

5.4 Officers have well-established relationships with London Sport and the main national governing bodies. Their input will also be key for shaping future service delivery.

5.5 Lambeth's current sports and physical activity strategy (*Active Lambeth*) expired in 2020. A new strategy is currently at the early stages of being developed. Again, the strategy will be extensively consulted on and will drive design of the new in-house service delivery model, so that objectives and implementation are clearly aligned.

6. RISK MANAGEMENT

6.1 The main risks that impede on the successful delivery of the recommendations within this report are:

Table 1 – Risk Register

Item	Risk	Likelihood	Impact	Score	Control Measures
1	Inability to agree terms of extension with GLL	1	4	4 (Low)	Negotiations have been completed
2	Extension is challenged by another provider	1	2	2 (Low)	There is no significant contract at stake. As the Council has decided to insource the service there would be little to gain; also see para 4.5
3	Inability to mobilise the new in-house service by the transfer date	1	4	4 (Low)	The extension allows sufficient time to plan for the transition. Specialist transition support will be commissioned to aid the process
4	GLL withdraw from the contract during the extension	1	4	4 (Low)	This is unlikely due to the impact on GLLs reputation. However, we already have a contingency plan prepared for this eventuality and will plan for it in detail as part of the transition preparations
5	Decline in service standards after transfer	2	2	4 (Low)	Experience of insourcing is that staff morale and performance improves. Most operational staff will be eligible to TUPE. Contingency planning will include addressing gaps in key managerial posts on day 1
6	Ability of the Council's support services to cope with the additional staff levels	3	4	12 (Med)	The financial modelling has allowed for a dedicated HR officer. The impact will be assessed in detail as part of the transition
7	Covid-19	2	2	4 (Low)	The industry is now well-versed in dealing with varying restrictions. The transition plan will include contingency planning for managing various scenarios.
8	Decline in service standards towards end of contract extension	2	2	4 (Low)	Most staff will be transferring to Lambeth and won't want to make a negative impression. As part of the transition plan contingency will be put in place for any major issues

Key:

Likelihood	Very Likely	4	Likely	3	Unlikely	2	Very Unlikely	1
Impact	Major	8	Serious	4	Significant	2	Minor	1

7. EQUALITIES IMPACT ASSESSMENT (EIA)

- 7.1 An Equalities Impact Assessment (EIA) was completed on 4 May 2021 and was approved by the Director of Environment and Streetscene on 10 May 2021.
- 7.2 The report's recommendations are not anticipated to effect any significant detrimental change impacting on the protected characteristics, whilst giving the Council direct control over delivery in the future and working more closely with advocacy groups has the potential to improve outcomes. The arrangement regarding Vauxhall Leisure Centre ends on the 31 March 2022 and potentially means the loss of concessionary pricing but would be the case in any future Council-planned delivery. To address this, officers asked GLL to submit a proposal for discussion which would allow concessionary pricing to continue, and this formed part of the formal negotiation regarding the one-year extension.
- 7.3 The EIA was scrutinised at the Corporate EIA Panel on the 24 August with a supporting presentation. No concerns were raised and the Panel approved the report for submission to Cabinet.

8. COMMUNITY SAFETY

- 8.1 The provision of leisure services has a key role to play in terms of the Council's approach to dealing with Serious Youth Violence. Leisure centres offer a wide range of diversionary, positive activities and GLL work with and host a number of community organisations providing a wide range of initiatives for young people. The contract extension and change to in-house provision will not change this. Lambeth's refreshed sports strategy will explore ways in which leisure provision can strengthen opportunities and this will translate into recommendations for the new in-house delivery model. In addition, the new Lambeth Sports Partnership Board will develop closer working links with officers involved with community safety issues and community providers. This will help identify further ways in which service delivery can contribute to improved community safety.

9. ORGANISATIONAL IMPLICATIONS

Environmental

- 9.1 The operation of Lambeth's leisure facilities has a major environmental impact, through energy and water use, cleaning products and travel issues. Bringing the service in-house will allow greater flexibility and control over reducing environmental impacts and moving closer towards a carbon neutral service. As for all services within the Neighbourhoods team, we will aim for the best possible environmental performance with the resources available. Direct management of the leisure centres will allow access to public sector decarbonisation grants, potentially speeding up the reduction in carbon impact.

Health

- 9.2 Leisure services provision has a critical role to play in terms of health outcomes. The new in-house service will work closely with Lambeth's Public Health team to support the borough's strategic health objectives articulated within the Health and Wellbeing Strategy. An in-house service will have greater flexibility to respond to changing health priorities and support new initiatives.

Corporate Parenting

- 9.3 The existing contract makes no provision for Looked-After Children and Care Leavers schemes. Officers are already engaging with Children's Services to design a scheme to form part of the new service delivery model.

Staffing and accommodation

- 9.4 Insourcing Leisure Services will significantly increase the Council's staffing levels and will impact on human resources. This is already being planned for and the Council will prepare detailed plans for the large-scale TUPE process which will be required. Staff will be accommodated within the existing leisure facilities and the change will not impact on the Council's office accommodation. There will be close liaison with union representatives throughout the process.

Responsible Procurement

Good Quality Jobs with Fair Pay and Decent Working Conditions

- 9.5 GLL already pay all staff London Living Wage as a minimum. Staffing conditions will be reviewed as part of the transition process to ensure parity with existing Lambeth facilities.

Quality Apprenticeships, targeted Employment for Lambeth residents and Lambeth Priority Group

- 9.6 GLL already have a comprehensive offer in this respect, which the in-house service will look to build on. Officers will work closely with the Jobs and Skills team to maximise opportunities.

Reduce Emissions: Lambeth Council has a commitment to being Zero Carbon by 2030

- 9.7 Officers will work closely with the Climate Change Response team to develop a plan to move the service towards carbon neutral status.

Single Use Plastics

- 9.8 Once the service transfers, officers will work closely with Sustainability colleagues to assess the extent of single-use plastics and develop an action plan for reducing their usage.

Positive Health and Wellbeing

- 9.9 As part of the transition work, officers will be developing a subsidy scheme for Lambeth staff.

Other Offers (Innovation)

- 9.10 Officers will be benchmarking leisure provision as part of the transition process and looking for suitable examples of innovative delivery which can be adopted in Lambeth.

10. TIMETABLE FOR IMPLEMENTATION

- 10.1 The table below details the stages and deadlines for implementing the recommendation:

Activity	Proposed Date
Cabinet Decision	13 September 2021
Minutes Published	17 September 2021
Call-in Deadline	24 September 2021
Begin developing outcomes, targets and scope of service; benchmarking; development of specification, other key documentation and procurement for support to create detailed transition plan	October 2021
Transition project live	January 2022-April 2023
GLL contract extension	1 April 2022-31 March 2023
Leisure Services transfer in-house	1 April 2023

AUDIT TRAIL

Name and Position/Title	Lambeth Directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Donatus Anyanwu	Cabinet Member for Voluntary Sector and Leisure	28.05.21	03.06.21	Approved
Bayo Dosunmu Strategic Director	Resident Services	28.05.21	17.08.21	Cleared
Venetia Reid-Baptiste Director of Environment and Streetscene	Resident Services	21.05.21	28.05.21	Cleared
Hamant Bharadia, AD Strategic Finance	Finance and Investment	11.08.21 16.08.21	11.08.21 16.08.21	3
Derek Roopnarine, Group Manager	Finance and Investment	02.06.21	11.08.21	3
Michael O'Hora Senior Contracts Lawyer	Legal and Governance	02.06.21	02.06.21	4
Kevin Edger, Category Manager, Procurement	Finance and Investment	02.06.21	26.08.21	Throughout
Christian Scade, Democratic Services	Legal and Governance	02.06.21	18.08.21	Throughout
Procurement Board	-	27.08.21	31.08.21	Throughout

REPORT HISTORY

Original discussion with Cabinet Member	17.09.20
Report deadline	01.09.21
Date final report sent	31.08.21
Part II Exempt from Disclosure/confidential accompanying report?	Yes
Key decision report	Yes
Date first appeared on forward plan	15.03.21
Key decision reasons	2. Expenditure, income or savings in excess of £500,000
Background information	Sport England 'Uniting the Movement' 2007 decision to approve a new leisure contract
Appendices	Appendix 1 – Equalities Impact Assessment