

Insourcing Leisure

Peter Appleton

First Point Management & Consultancy





aqua terra
leisure



COLERAINE
BOROUGH COUNCIL

DERRY
CITY COUNCIL



THE
ROYAL
PARKS



WATFORD
BOROUGH
COUNCIL



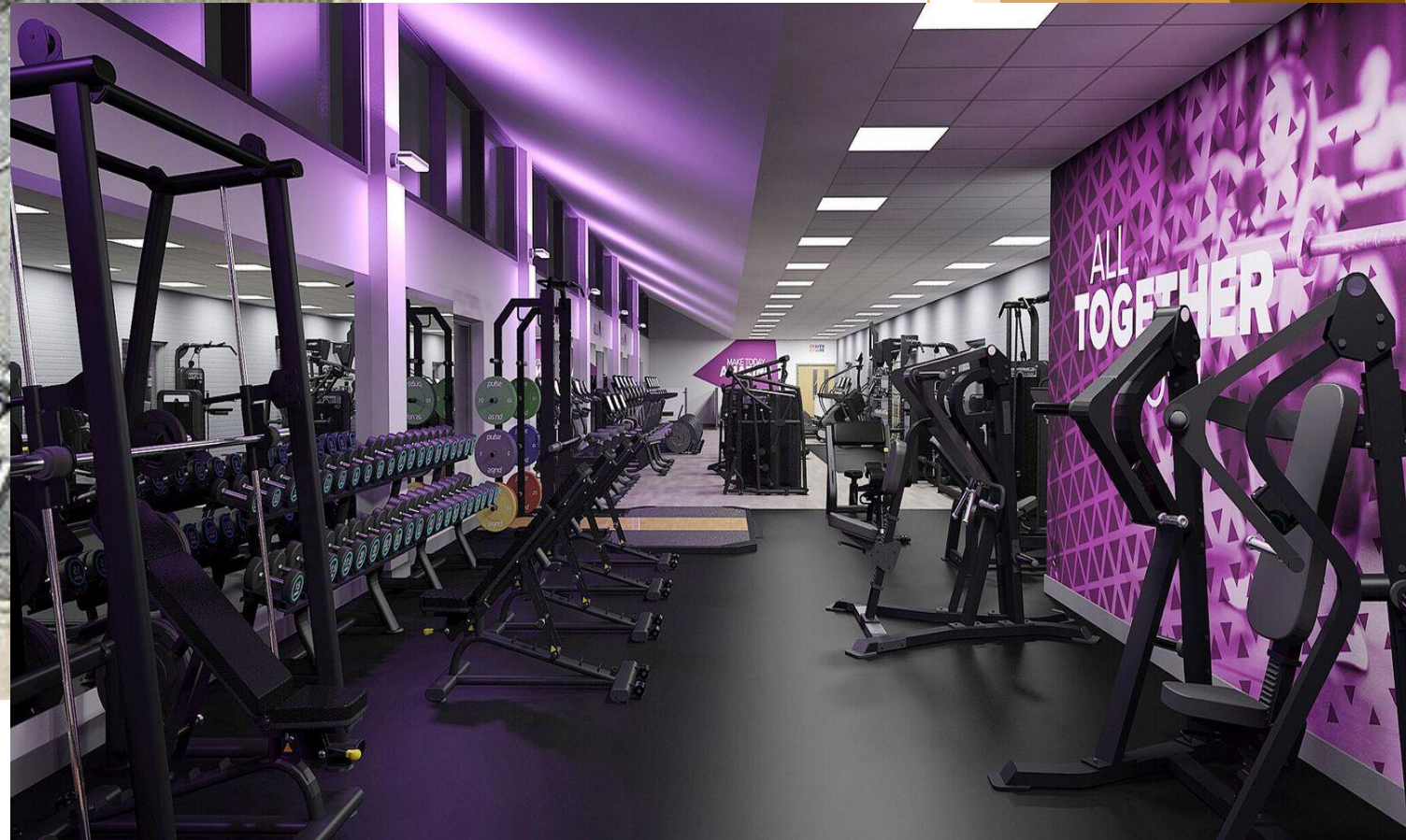
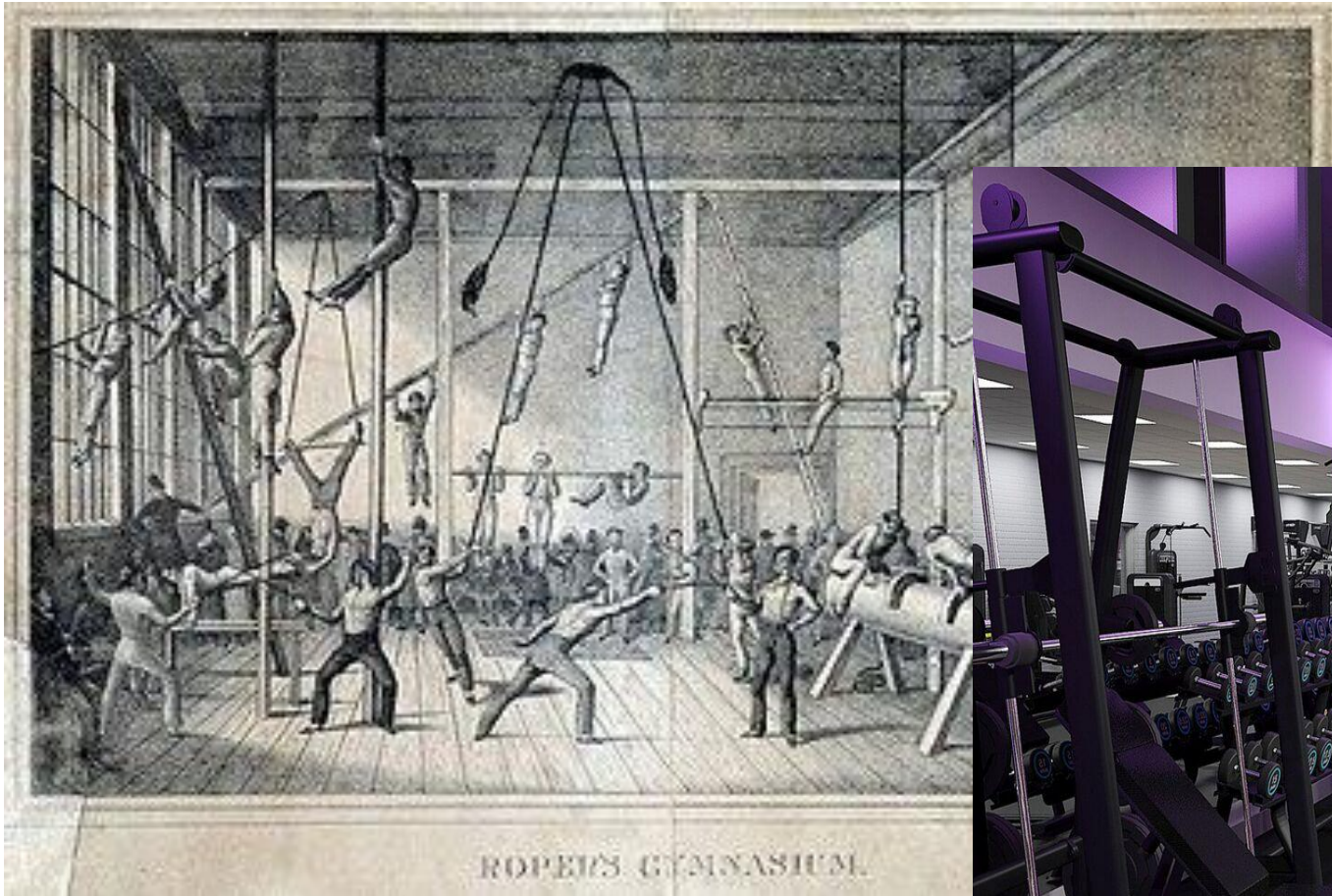
Session Aims

- ▶ Context of Leisure Insourcing
- ▶ Delivery Options
 - ▶ In house
 - ▶ LATC
- ▶ Future Planning & Resilience








The Circle of Life



Evolution



Motivations for Insourcing

- ▶ Impact of Covid 
 - ▶ Unustainable contracts
- ▶ Energy Costs? 
 - ▶ Same for most
- ▶ Losing Touch with Locality 
 - ▶ Generic approach from operators
- ▶ Efficiencies ~ Transformation Complete 
- ▶ Lower Costs 
- ▶ Greater Control 
- ▶ Political 

Case Study 1 - Arms Length Delivery

- ▶ Key Drivers-
 - ▶ Covid
 - ▶ Unsustainable Contract
- ▶ Contract was peripheral to operators core client where contracts were coming to an end of term
- ▶ Operator - supported during Covid
- ▶ Operator's core client decided to insource into their own new CIC
- ▶ Operator could not sustain the peripheral contract - economies of scale and Head Office support lost
- ▶ Client content with the outsourcing - no prior intention of insourcing
- ▶ Burning platform initially dictated by the operators core client

Determining the Future

- ▶ Council advised to opt for a market solution - second opinion sought
- ▶ Working with APSE in Spring 2021 we:
 - ▶ Reviewed the External Advice
 - ▶ Talked to Senior Management
 - ▶ Held Member Workshops
 - ▶ Noted LGR in 2023 - Council keen on future flexibility
 - ▶ Simplified the Options
 - ▶ Set some Guiding Principles
 - ▶ Introduced the Decision Tree
 - ▶ Created Opportunity

Form Follows Function



Set the Vision and Required Outcomes

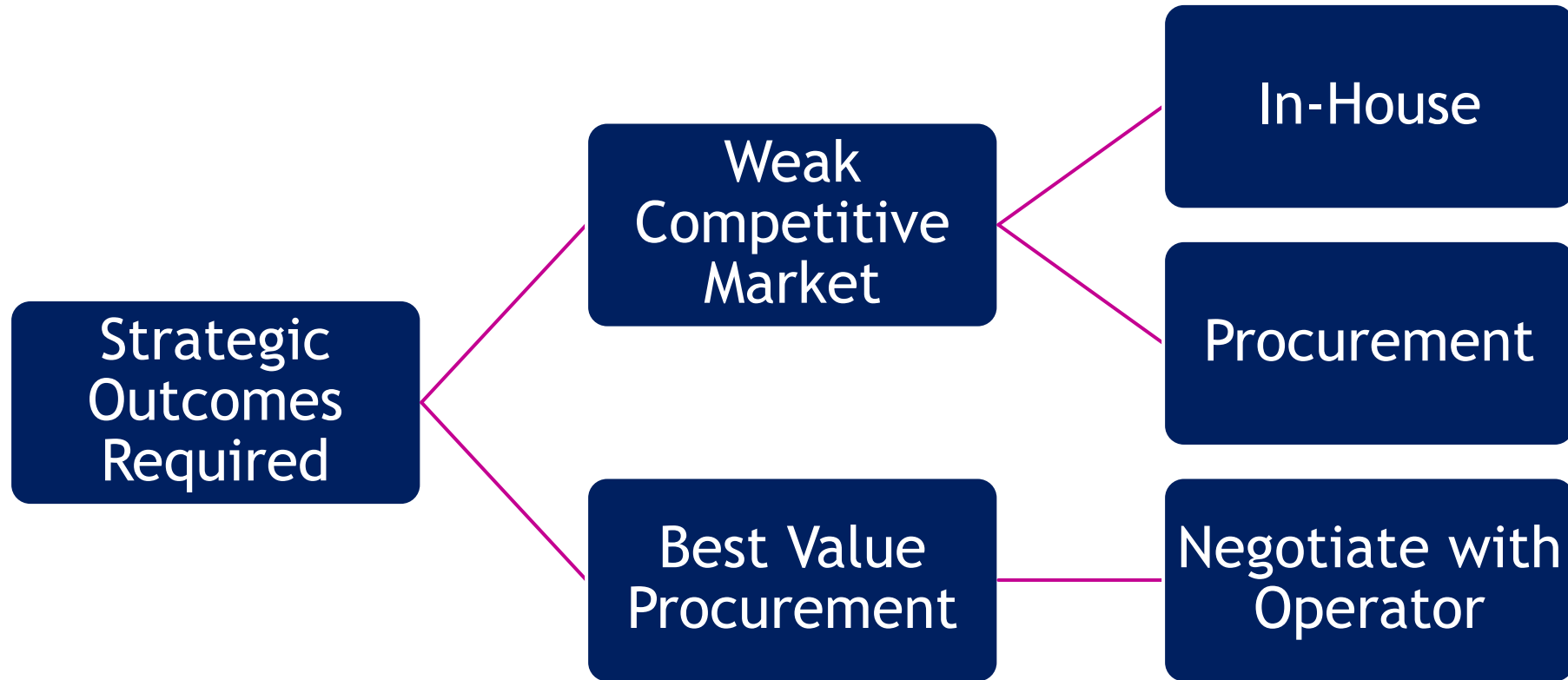
Strategic

- ▶ Getting more people, more active, more often
- ▶ Addressing health inequalities
- ▶ Protecting the most vulnerable
- ▶ Aligning values and policies with those of the Council
- ▶ Adding Social Value locally
- ▶ Sustaining an accessible and affordable leisure function for local people
- ▶ Not increasing the burden of cost for local taxpayers
- ▶ Enabling local democratic oversight

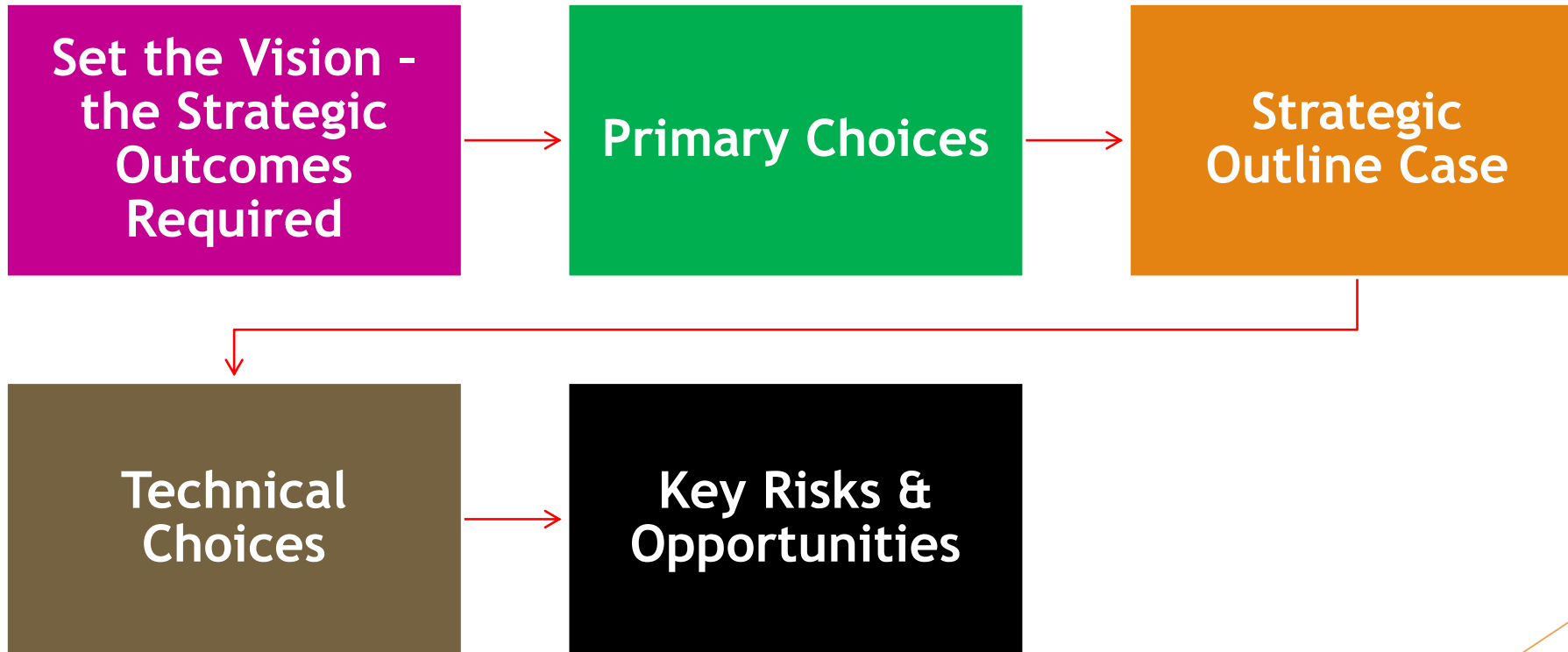
Logistical

- ▶ Ensure service continuity
- ▶ Provide some certainty for staff
- ▶ Financial clarity

Decision Tree - High Level Overview



Decision Tree Stages



Primary Choice - questions to consider

Outsource	Bring Control back to the Council
Apply the challenge from the agreed outcomes to the key questions	
Is there a competitive market/market tension - to secure Best Value for what may be ten-year term ?	Which of the two options is the best fit - In-House or Council Owned Controlled Company ?
Existing locally established charity - limited Council control/influence; sustainability in current climate?	Is this to be an expedient interim arrangement or long-term strategy ? Reality is that Council can change tack in the medium term if the environment changes.
Could the main benefit of cost certainty still be secured in the current market environment ?	Which form of incorporation and governance is most able to meet the required outcomes ? (could be CIC, or CLG - but decisions needed about control v. influence and freedom to innovate etc.).
Timescales - will it be possible to transfer staff directly from incumbent to the new operator without a costly “touch down” for staff as Council employees in the interim?	Provides some flexibility for future delivery options & considerations: success & growth of the Council Owned Company; impact of LGR; post market recovery - outsourcing.

Practical Challenges

- ▶ Governance
- ▶ Legal - Contract Variation
- ▶ Leases
- ▶ Data Sharing
- ▶ Due Diligence
- ▶ Third Party Contracts
- ▶ Insurance
- ▶ Specification
- ▶ ICT
- ▶ Emerging Energy Crisis
- ▶ TUPE
- ▶ Pensions
- ▶ Back Office Support
 - ▶ HR
 - ▶ Payroll
 - ▶ Finance
 - ▶ Marketing
- ▶ Business Plan
- ▶ Risk
- ▶ Performance Framework
- ▶ Employee Handbook & Policies

Headlines & Hindsight Moments

- ▶ Approx . 9 months from LATC incorporation -> transfer
- ▶ Insufficient mobilisation resource
- ▶ Banking processes can be slow - critical for trading
- ▶ On-going need for client capability
- ▶ Need to build Board skills and leisure knowledge
- ▶ Review future strategic options in context of :
 - ▶ LATC Performance
 - ▶ LGR Opportunities

Another Covid Casualty

- ▶ Successful culture & leisure charitable trust
- ▶ Local Authority partner on the brink before Covid
- ▶ Charity's income stream from leisure ceases
- ▶ No financial support from the Council
- ▶ Charity exhausts options - decides to give notice to terminate
 - ▶ achieves solvent liquidation, full service & TUPE transfer
- ▶ Council takes services into its Waste Trading Company
- ▶ Skilled & experienced staff leave - service quality declines
- ▶ Now higher costs than the support the Charity was seeking
- ▶ So who wins & who loses?



Drivers for Insourcing

- ▶ Closer connections to communities
- ▶ Control
- ▶ Political

Potential & Pitfalls (1)

▶ Success Factors

- ▶ Larger organisation - greater access to back office support
- ▶ Greater Financial Resilience
- ▶ Will benefit from a Transformation Programme

▶ Governance

- ▶ Transformation Board > Portfolio Holder > Cabinet > Council

▶ Transformation Programme

- ▶ Realistic expectations aligned to resource input

▶ Business Systems

- ▶ Data ownership
- ▶ Disaggregation of data from operator can be complex
- ▶ Integration of Leisure Management System with Council systems
- ▶ Initial System Support - maximise income (P&L detail, brand, sales, CRM etc)

Potential & Pitfalls (2)

▶ Subsidy Requirement

- ▶ Often the highest

▶ Staff Protections

- ▶ Often the most beneficial

▶ Relationship with the Council

- ▶ Specification of Requirements recommended
- ▶ Modified Performance Reporting
- ▶ Recommend to retain some 'client side' capacity/capability

▶ Business Planning

- ▶ Departure from budget led process to Annual Business Plan recommended
- ▶ Transformation Board could take 'ownership' in initial years

Case Study 2 - Insourcing Case Study

- ▶ Decades of delivery through a series of commissions
- ▶ No consistency between 2 different operators
 - ▶ Service Offer
 - ▶ Pricing
 - ▶ Service Quality
- ▶ No effective client function
- ▶ Poor service data - client devoid of knowledge

Drivers for Insourcing

▶ **Control**

- ▶ Unified service offer
- ▶ Unified tariff
- ▶ Greater visibility of revenues
- ▶ Potential net financial gain

▶ **'Political'**

- ▶ Recent insourcing of another service - perceived success

Challenges

- ▶ Starting from Scratch.....literally
- ▶ Organisation designed around 3rd party delivery
- ▶ Absence of historic Service Information
- ▶ Absence of robust Operating Procedures
- ▶ No TUPE - No Staff
- ▶ Commitment to open in 5 months
- ▶ No operational systems, assets or equipment
- ▶ Move to cashless - no booking system or POS
- ▶ Building refurbishment programme

Outcomes

- ▶ Go - Live - delayed by 1 day
- ▶ Operating Systems in Place
- ▶ Target Operating Model developed
- ▶ Core Staff Recruited
- ▶ Sufficient seasonal staff to open
- ▶ Achieved - Open, Safe & Legal
- ▶ Positive Operating Revenues
- ▶ Lots of Lessons Learned for Year 2
- ▶ Draft 10 year Business Plan developed

Planning for the Future (1)

- ▶ Lessons Learned from Covid and Post Pandemic Recovery
 - ▶ Increased recognition of health benefits from leisure and physical activity
 - ▶ Changes in customer behaviour
 - ▶ Operating landscape has changed dramatically
 - ▶ Operating costs more volatile than ever
 - ▶ Operating risks now highlighted
 - ▶ Delivery Options 'gap' closing (currently....)

Planning for the Future (2)

- ▶ Building in Resilience
 - ▶ Collaborative Political Approach
 - ▶ Demand Analysis - Facility Strategy
 - ▶ Investment
 - ▶ Carbon Reduction
 - ▶ Strategic Alliances - Social & Health Outcomes
 - ▶ Robust Risk Management
 - ▶ Be Realistic - Income, Operating Costs & Outcomes
 - ▶ Be Bold (but not Gung-Ho)
 - ▶ Robust Performance Review
 - ▶ Client - Capacity & Capability
 - ▶ Stay Alert

The Leisure Merry-Go-Round?





peter.appleton@fpmcltd.co.uk

