



Leisure Insourcing Programme Assurance Report Overview & Scrutiny Committee 22nd April 2024

Simon Jones, Head of Leisure Operations
Keith Townsend, Programme Director (Leisure)



Be-Well Vision



| HEALTH |

Providing excellent services to enable healthy lifestyles.

| WELLNESS |

Removing barriers to create inclusive and accessible environments.

| PLAY |

Supporting local groups and clubs to bring communities together.

BE WELL

HEALTH | WELLNESS | PLAY



Original Decision (August 2022)



- August 2022 report to Cabinet in relation to the recommissioning of the leisure service which presented an options appraisal taking into consideration various criteria
- Residents survey highlighting several performance issues and concerns
- Contract and service was not seen as high performing and opportunities not being realised
- Between 2015 - 2022 client function reduced and therefore concerns about capacity and management of the contract
- Legal Advice and Best Value Comments and justification detailed in s7.4 and executive function / power advice in s7.2
- Best value is not just about direct financial model but additional community and health benefits and wider outcomes. (see later slides)



Health inequalities in Tower Hamlets



Inactive adults (2020/21)

- Females (28% inactive compared to 23% of males)
- Over 65s (65% inactive compared to <28% for all other ages)
- People on **low incomes** more inactive
- People from an Asian (excl Chinese) ethnic background (42% inactive compared to 17% from White British ethnic background)

Inactive children (2020-22):

- Girls (50% inactive compared to 40% of boys) and Non-White British (small difference: 45% compared to 43%)
- 7 years gap in healthy life expectancy for men (65 years) and women (58 years) (wider gaps in Asian and Mixed ethnic groups/ high prevalence of females who are long-term unemployed)
- High level of excess weight amongst children and young people



Centre by Centre information



Centre	Facilities	Staffing	Income / Expenditure 2024 – 25 (Year 1)	Age of building / condition / investment
John Orwell Sports Centre	Facilities – Gym, Studio, outdoor pitches, netball & tennis.	1 GM, 1 AM, 3 DM, 3 FI 3 Reception	Income - 757k – income Expenditure - 901k – expenditure Net 144k	Opened 1987 Year 1 Immediate Repairs required - <u>£94,000</u> Year 1 Capital Plant replacement - £320,000 Conversion of storeroom to Spin Studio. Redecoration. New F&B offer. Investment year 1 Fitness equipment – 24k
Mile End Leisure Centre and Stadium	Facilities – Gym, Studio, outdoor pitches, netball & tennis, swimming, women only gym, spin studio, athletics track, sports hall	1 GM, 3 AM, 4 DM, 4 FI, 6 Reception, 10 RA, 8 SI	Income – 3,899k – income Expenditure – 4,058k – expenditure Net 159k	Opened 2008 Year 1 Immediate Repairs required - <u>£174,500</u> Year 1 Capital Plant replacement - £343,000 Redecoration. Revised F&B offer. Investment year 1 Fitness equipment – 33k
Poplar Baths	Gym, Sports Hall, Studio, Swimming Pool	1 GM, 1 AM, 3 DM, 4 FI, 5 Reception, 10 RA, 8 SI	Income – 1,517k – income Expenditure – 1,987k – expenditure Net 470k	Opened 2016 Year 1 Immediate repairs required - £17,000. Year 1 Capital Plant replacement - <u>£30,000</u> Reconfigure reception area Refresh and branding Investment year 1 Fitness equipment – 3k
York Hall Leisure Centre	Swimming, Gym, Studio, SPA, Main Hall Arena	1 GM, 3 AM, 4 DM, 4 FI, 5 Reception, 10 RA, 8 SI	Income – 2,292k – income Expenditure – 2,786k – expenditure Net 494k	Opened 1929 Year 1 Immediate Repairs required - <u>£208,000</u> Year 1 Capital Plant replacement - <u>£1,780,000</u> Refresh fitness equipment dry / wet equipment Investment year 1 Fitness equipment – 15k
Whitechapel Sports Centre	Gym, Women only Gym, Studio, Sports Hall, Outdoor Pitches	1 GM, 1 AM, 3 DM, 3 FI, 4 Reception	Income – 550k – income Expenditure – 905k – expenditure Net 355k	Opened 1999 Year 1 Immediate repairs required - <u>£41,500</u> Year 1 Capital Plant replacement - £88,000 Refresh fitness equipment dry Reconfigure reception area Investment year 1 Fitness equipment – 38k
Tiller Leisure Centre	Swimming Pool, Studio, Soft Play, Gym	1 GM, 1 AM, 3 DM, 3 FI, 4 Reception, 6 RA, 6 SI	Income – 615k – income Expenditure – 1,098k – expenditure Net 483k	Opened 1960 Year 1 Immediate Repairs required - <u>£28,000</u> Year 1 Capital Plant replacement - £85,000 Refresh fitness equipment dry / wet equipment Investment year 1 Fitness equipment – 3k



Challenges

Contractual Relationships & Procurement

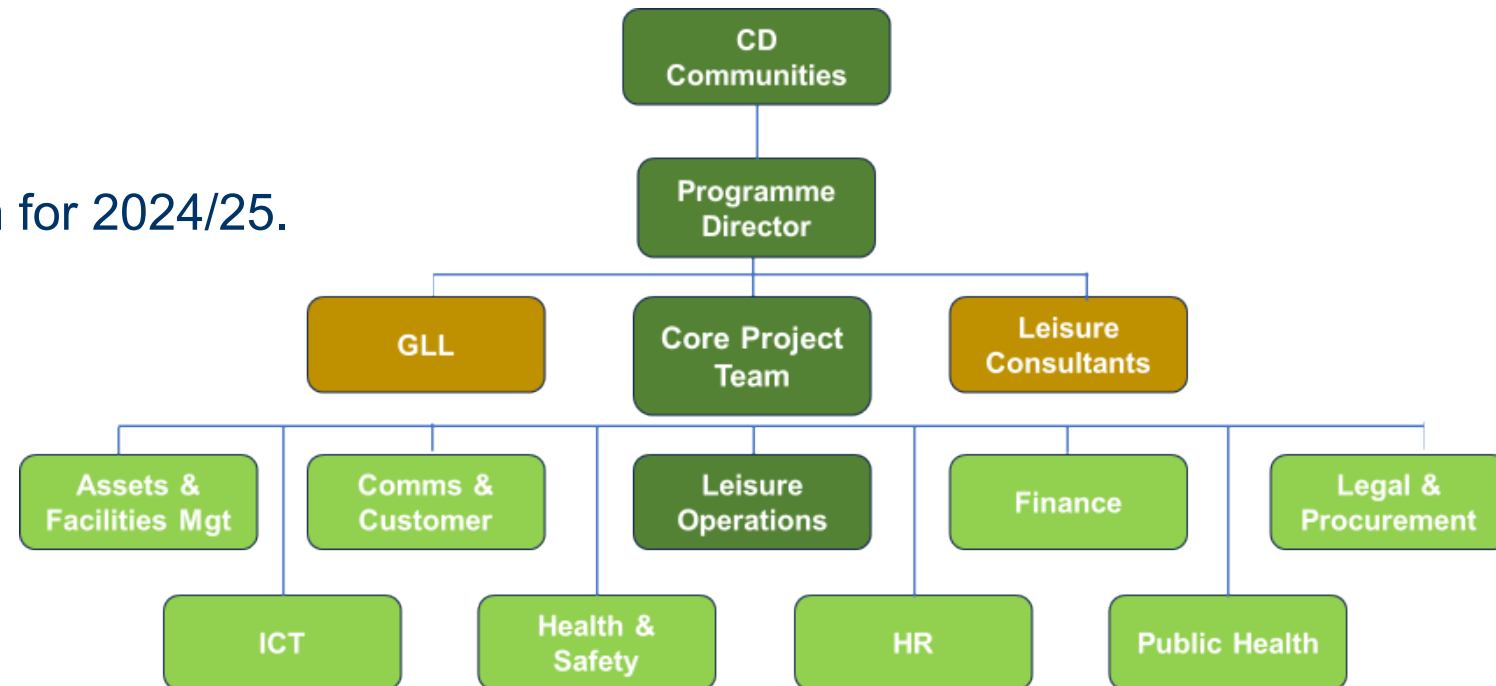
- Historic property issues e.g. No lease for Mile End & PFI at Poplar
- Novating operational contracts
- Understanding the business
- TUPE & Staffing Matters
 - Capacity to deliver
 - Vacancies and use of right skills to do the right job
 - Insourcing knowledge, skills and experience
 - Financial impact of harmonisation
- Management & development of the assets
 - 3 listed buildings, many over 40 years old



Transition Project & Governance



- Strategic Leadership & Support
- Programme & Capital Board
- Learning from Insourcing TH Homes
- Programme budget of £.1.395 million for 2024/25.
 - Financial impact of closure 1st to 7th May
- Clear Programme workstreams:
 - HR & Staffing
 - Facilities & Building issues
 - Legal, Contracts & Procurement
 - Operations
 - Communications
 - ICT – new Leisure Management System
 - Finance
 - Public Health



Human Resources - Recruitment



- Local jobs for local people
- Training Opportunities
- Franchise Opportunities for local people
- Work Flow
- Careers Fair 13th April
- Advert for a variety of roles – W/c April 1st

- Specialist agency in place
- Acting up opportunities (managers)



Finance profile 10-year model



- The approved for Leisure for 2024-24 is £2.105 million reducing to £1.344 million in 2025/25 including central support costs.
- Site specific business plans
- Detailed 10-year model had been refined indicating a that the service will move from new subsidy into surplus in 2027/28 with forecast income growth modelled

Year	1	2	3	4	5	6	7	8	9	10
Year	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income	(9,629,650)	(11,709,294)	(103,083,480)	(13,705,773)	(13,979,889)	(14,259,487)	(14,544,676)	(14,835,570)	(15,132,281)	(15,434,927)
Expenditure	11,735,388	13,053,097	13,325,424	13,608,057	13,880,218	14,157,823	14,440,979	14,729,799	15,024,395	15,324,883
Net	2,105,737	1,343,803	241,945	(97,716)	(99,671)	(101,664)	(103,697)	(105,771)	(107,887)	(110,044)



Revenue



GLL Income and Expenditure 2019-2023				
£million				
Year	2019/20	2020/21	2021/22	22/23
Income	(7.8)	(1.1)	(6.7)	(9.1)
Expenditure	6.5	5.4	7.4	9.2
Net	(1.3)	4.3	0.7	0.1

- Losses in the last three full years
- Impact of Covid-19 and Government grants
- No clear evidence of surplus income investment programme

	John Orwell	Mile End	Tiller	White Chapel	York Hall	Poplar
2019/2020 Income	682,770	3,034,942	584,625	423,265	2,435,283	Closed
2019/2020 Expenditure	433,176	1,977,368	655,778	457,945	1,934,253	Closed
2019/2020 Surplus/Deficit	249,594	1,057,574	(71,153)	(34,681)	501,029	Closed
2020/2021 Income	101,438	504,235	33,390	38,519	260,296	206,253
2020/2021 Expenditure	384,481	1,472,413	422,511	315,179	1,330,029	1,001,650
2020/2021 Surplus/Deficit	(283,043)	(968,178)	(389,121)	(276,660)	(1,069,733)	(795,397)
2021/2022 Income	536,630	2,955,153	167,190	343,794	1,376,940	1,281,787
2021/2022 Expenditure	532,404	2,509,732	575,810	501,708	1,660,449	1,450,552
2021/2022 Surplus/Deficit	4,226	445,422	(408,620)	(157,914)	(283,509)	(168,765)
2022/2023 Income	728,251	3,688,554	592,732	500,291	2,141,881	1,444,043
2022/2023 Expenditure	624,438	3,136,882	647,028	641,420	2,389,984	1,531,077
2022/2023 Surplus/Deficit	103,813	551,673	(54,296)	(141,129)	(248,103)	(87,033)



Capital Requirement (10-year)



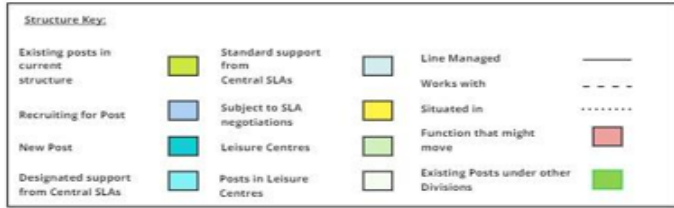
- Lack of evidence of specific planning maintenance investment under contract with GLL
- Recent FM investment was c1.2 million per year and project looking at dilapidations
- Requirement for investment of £24.4 million, (excluding fees at 11%) over the next 10 years.
- The current approved capital budget there is £3 million available in total for the next three years with a long-term assumption of a need for £1 million year on year.

	Year 1	Year 2	Year 3-5	Sub Total (Years 1-5)	Year 5-10	Total
Replacement costs from condition surveys	3,756,000	6,139,000	8,170,000	18,073,000	6,381,000	24,446,000
Approved funding	(3,000,000)			(3,000,000)		
Budget requirement	834,107*	6,139,000	8,170,000	15,073,000	6,381,000	21,524,107

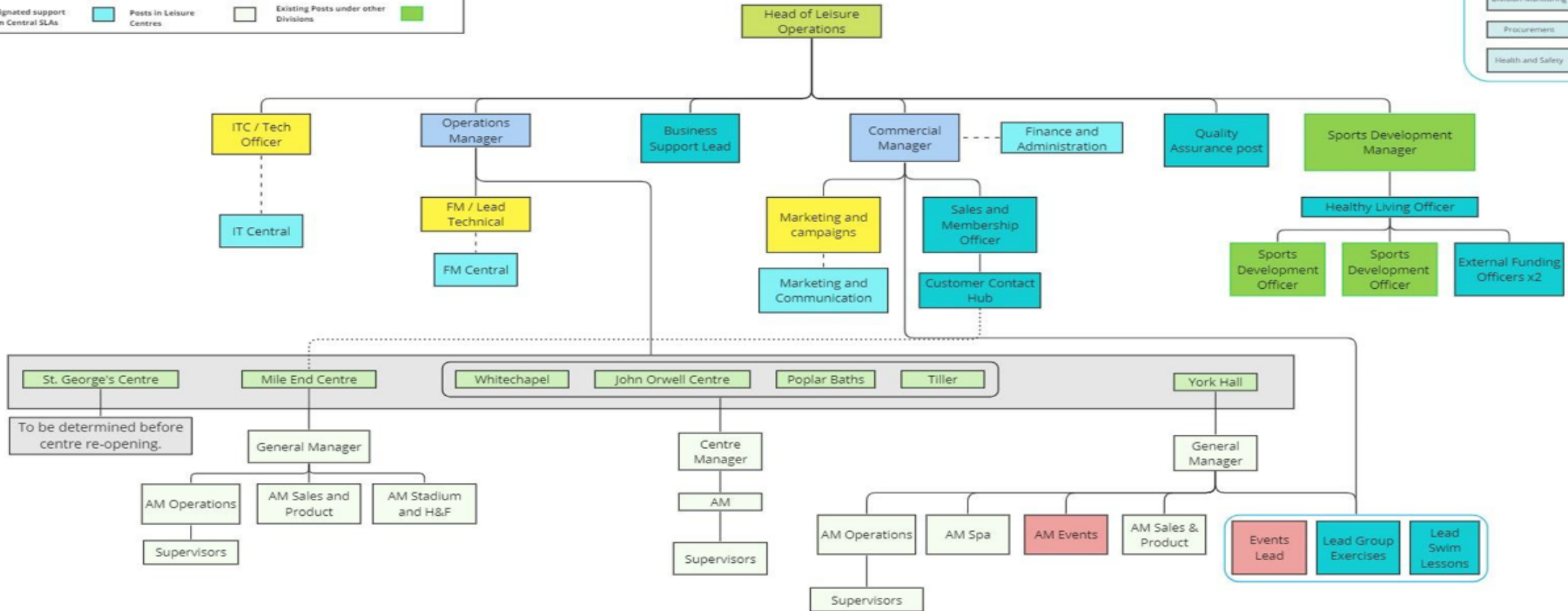
*The shortfall includes expenditure of £78k although there is a forecast underspend in the 2023/24 capital programme. Costs are provisional and do not include any allowance for inflation or professional costs and fees



New structure



Tower Hamlets Leisure Division Structure



Community Benefits



- Improved Customer Experience - better customer retention and improved resident satisfaction
- Local Employment – Local residents, Local Jobs, better workforce representation of the borough
- Supply Chain - local businesses supported to bid for supply/services contracts
- Diverse Reach / Engagement for vulnerable residents – Better engage those groups who are vulnerable and who might not usually engage with leisure services e.g. women and girls, SEND, older people.
- Public Health Outcomes – Deliver a range of public health outcomes linked to increased physical activity e.g. reduced obesity, increased mental health and increased life expectancy among priority groups.
- Increased co-ordination of local services – Co-delivery of local services within leisure centres to maximise outcomes for residents e.g. increased co location of health and social services across sites.



Facility & Commercial Opportunities

- Strategic planning underway
- 3 listed buildings so challenges
- Opportunities to strategic develop flagship leisure facilities to meet the borough's need:
 - e.g. St George's LC Redevelopment - £30 million investment
 - e.g. York Hall huge potential: Spa facilities, heritage interest, British Boxing
- Growth of revenues (23%)
 - Events, memberships, York Hall Spa, Swim School, NHS services etc



Conclusions

- Clear vision
- Capital investment in facilities to meet the needs of growth
- A service that reflects the needs of the borough
- Strong governance and corporate support
- Opportunities from growth and commercialisation



Questions & Discussion

