



**COMMUNITY OVERVIEW AND SCRUTINY LEISURE CENTRE CONTRACT
MANAGEMENT REVIEW SUB-COMMITTEE**

Document Number:	1
Version number:	01 (14/06/2017)
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Issue Date:	June 2017

1 **Aim/Purpose**

- 1.1 The aim and purpose of the Sub-Committee was to review the management of the Waverley Borough Council (The Council) Leisure Centre contract with Places for People (PfP) and to explore its effectiveness, identify lessons which might be applied to other major Council contracts and identify potential cost savings.
- 1.2 Community Wellbeing, Customer Services and Value for Money are corporate priorities for the Council so a review of the Leisure Services Contract is an important step to ensuring that the Council is providing appropriate levels of service to its residents.
- 1.3 The review was initiated by the Community Overview and Scrutiny Committee in November 2016 and the scoping report is attached at Annexe 1.

2. **Reasons for the review**

- 2.1 The reasons for the review are as follows:
 - The Council's arrangement with PfP is a longstanding contract which has been the subject of relatively low levels of formal scrutiny.
 - The Council's leisure centres have been, are and will continue to be the subject of significant capital investment so understanding the value for money proposition is important.
 - The perceived success of The Council's contract with PfP makes it probable that important lessons can be extracted for application to other major Council contracts.
- 2.2 The review aimed to cover the following questions:
 - a. Is there an effective leadership/management process and associated contract monitoring in place to ensure effective operation of the Council's leisure centres?
 - b. Can a more commercial approach to the design and implementation of the leisure centres lead to wider benefits?
 - c. In managing the Leisure Centre contract, which aspects should be managed tightly and where should greater flexibility be allowed?
 - d. Has an effective ethos of trust and partnership been developed and sustained between WBC and PfP?
 - e. How well are the leisure centres contributing to the Council's priorities? (Community Wellbeing, Value for Money (VfM) and Environment)
 - f. How does the management of the Contract contribute to ongoing innovation and improvement?
 - g. What are the skills and competencies necessary to successfully manage larger service contracts and what types of training would be most useful?

- h. What lessons can be learnt from the management of the Leisure Centre Contract for other contracted out services in the Council?
- i. Can potential cost savings be identified?

3. **Approach to the review**

- 3.1 A principles-based approach was advocated, rather than using specific rules, in order to build a flexible framework and tools to conduct the review that could be adapted and re-used by future reviews for any area of Council business. A principles-based approach should also help to ensure that discovery and learning achieved by this review does not become quickly out of date as the Council review environment matures and evolves.
- 3.2 There were a number of technical methodologies that were relevant and might have been used. However, the method that was selected is one of the more easily understood and digested: it was essentially an identification of which Suppliers deliver what critical Inputs to enable what critical management Processes to be enacted to generate critical Outputs that were delivered to core Customers and analysis of how effectively this operates. It is known as a SIPOC analysis.

4. **Scope of the review**

- 4.1 The scope of the review was outlined in the papers considered by the Sub-Committee in December. Critically it was limited to the:
 - Services delivered by and on behalf of the Council at the 5 leisure centres within the borough at Cranleigh, Farnham, Godalming and Haslemere (The Edge and The Herons).
 - Contracts that have been entered into, relevant to the provision of goods and services at the 5 leisure centres.
 - Analysis of historical performance across enabling functions: people, training, resources, information, leadership, organisation, infrastructure.
 - Analysis of goods and services delivery during the period Aug 2015- Aug 2016.
 - Analysis of emergent and future trends and outcomes.

5. **People interviewed/ Findings/ Results**

- 5.1 The Sub-Committee in reaching its findings gathered evidence from a number of sources. Members specifically interviewed a number of key officers both from the Council and PfP to discuss the contract and its implementation. A list of evidence that was gathered is noted below and is available online from the Waverley Website.
 - Interview notes – Commercial and Financial
 - Interview notes – Godalming
 - Interview notes – Farnham
 - Interview notes – Cranleigh
 - Interview notes - Edge

- Summary of Community O&S Leisure Centre Contract Management Review Team interviews with Place for People Centre General Managers at Cranleigh and Godalming Leisure Centres
- Report on Agreement between WBC&DC Leisure (the former company that became PFP)
- Profit share figures
- Leisure Development Plan
- Draft Leisure facilities strategy
- Leisure feasibility study – consultants brief
- Corporate strategy
- Service Plan Communities
- Leisure centre Lifecycle costings 2016
- Monthly Finance report from PFP

6. **Findings**

a. *Is there an effective leadership/management process and associated contract monitoring in place to ensure effective operation of the Council's leisure centres?*

6.1 The Sub-Committee concluded that there is an effective operational leadership/management process and contract monitoring in place to ensure effective operation of the Council's leisure centres. This provides the right balance of tight and robust monitoring and inspection visits together with the promotion of a strong partnership ethos where ideas and innovation are encouraged. Evidence considered indicates that value for money is being achieved in the way the Council's contract management function operates.

6.2 The Sub-Committee identified that opportunities exist for enhanced commercial monitoring of the contract. The current arrangement for financial monitoring is temporary on account of a resignation and the officer carrying out the work is not available full time to respond to queries from the Leisure Centre team this could result in a delayed response to queries raised by the leisure team. No evidence was presented that there is active monitoring of the Leisure Centre market or PFP's performance within that market against which commercial performance can be assessed and through which early warning of emerging opportunities and threats can be identified.

6.3 The Sub-Committee advised that there had been very positive feedback in general from the General Managers and no significant concerns were expressed about the contract management approach being undertaken by the Council. Members noted that there was a consistently positive response given by the managers of each leisure centre and the current system of monitoring performance through Quest is providing an excellent service to assist management and performance monitoring.

b. *Can a more commercial approach to the design and implementation of the leisure centres lead to wider benefits?*

- 6.4 The ownership and management of leisure centres is a discretionary service that the Council chooses to provide. This discretionary nature of the service means that it is for the Council to define the commercial and wellbeing aspirations for the service. The Sub-Committee was unable to identify a Leisure Centre policy which sets out clear commercial and wellbeing expectations against which performance can be measured. Nevertheless the Sub-Committee identified positive commercial outcomes in recent years, a general trend of increasing visitor numbers and increasing wellbeing targets and achievements at each of the Council's leisure centres.
- 6.5 A positive commercial mind-set was apparent in staff from both the contractor and the Council's contract management team. Members noted that while PfP is a not for profit organisation where any overall surplus is reinvested to deliver their community aims, they still display a strong commercial acumen and recognise that they have to compete in a commercial environment with other leisure providers offering a range of services services across the market.
- 6.6 It was also clear to Members that the investment strategy taken forward over the past five years has brought significant improvements to the range and quality of leisure provision, has increased usage levels by an average of 20% and has generated significant additional income to the Council.
- 6.7 Members identified that as a result of the commercial approach taken, WBC has proved that it was possible to operate a council leisure centre without the need for public subsidy, and deliver a high quality service that generates a positive income for the Council.

Members identified that as a result of the commercial approach taken, The Council has seen a year on year reduction in the level of subsidy required to the leisure centres and is approaching a point where the operation breaks even. At the same time a high quality and expanding service is being delivered. Members noted that the current contract incentivises innovative commercial thinking from both the Council and the contractor, as both parties share in any subsequent profits. It was also clear that the Council has effectively and appropriately transferred a significant amount of the commercial risk to the contractor who appears to have the experience and track record to deal with this effectively.

- 6.8 PfP subscribes to NPS (Net Promoter Score), which is a management tool that is used to gauge individual customer loyalty, identify areas for improvement of the customer relationship and ultimately promote revenue growth. An NPS that is positive (i.e., higher than zero) is viewed as good, and an NPS of +50 is considered to be excellent. Scores at Cranleigh and Godalming were reported to be in excess of 50. Cranleigh scores have progressed over the past 2-3 years from the teens (10-20 year olds) into 50s+.
- 6.9 Members identified the opportunity to further improve the marketing of the leisure centres including targeting markets such as University Students

returning home during their long holidays with a view to increasing participation during quieter periods.

6.10 The Sub-Committee felt that PfP could improve its own advertising as the brand offering was not perceived as being strong or consistent in centres that they had visited. Members suggested that PfP look at using targeted social media campaigns more to attract people to the centres.

c. *In managing the Leisure Centre contract, which aspects should be managed tightly and where should greater flexibility be allowed?*

6.11 Overall the evidence considered so far points to an effective balance between tight contract management and monitoring (eg Health and Safety, Customer Satisfaction etc) by the Council. This is balanced by sufficient commercial freedom offered to the contractor for them to deliver a successful service (eg prices, staff pay etc). The active and rigorous use by PfP of the Quest¹ tool for continuous improvement ensures that a combination of independent audit and inspection systematically identifies problem areas. Strong evidence was provided in several centres that PfP's centre management team members are actively and thoroughly addressing actions identified through Quest in pursuit of continuous improvement. Based on activity and timely responses, Quest operates a banding system from unsatisfactory to excellent.

- The most recent Cranleigh Quest review in May 2016 yielded a Good rating.
- The most recent Godalming Quest review in December 2016 yielded the top Excellent rating, which in context is only given to the top 15% of centres.

6.12 There was also evidence of shared design between the Council and PfP and problem solving rather than the Council simply issuing instructions in isolation. A good example of this is the successful approach taken to Health and Wellbeing and supporting new services such as Cardio Rehabilitation, Stroke Rehabilitation and Falls Prevention services.

d. *Has an effective ethos of trust and partnership been developed and sustained between the Council and PfP?*

6.13 The Sub-Committee identified a clear and effective ethos of trust and partnership between the Council and PfP. The people they had spoken to had a lot of pride in their centres and the relationship appeared successful because it was based on professionalism, high expectations on both sides, shared goals, and a belief that improved outcomes could be achieved by working together in partnership. Interviews with centre managers produced consistent responses, a clear openness and recognition of the many positive aspects of the relationship even when dealing with areas identified for improvement.

¹ Quest is a tool for continuous improvement, designed primarily for the management of leisure facilities and sports development. It is managed by Right Directions in partnership with Leisure-net Solutions.

e. *How well are the leisure centres contributing to the Council's priorities? Wellbeing /VfM / Environment*

6.14 The Sub-Committee noted that the leisure centres appeared to be successful at attracting residents who had more to benefit from the service, such as older people, people recovering from long term illness and referrals by GPs. In addition the offer of free access to looked after children was seen as a powerful way to instil a healthy lifestyle for young people who may be more vulnerable due to their personal circumstances. Members noted the inherent difficulty in measuring the causal benefits for those using the service especially as some of these benefits (reduced incidence of certain health conditions such as diabetes, heart disease, stress and long term illness etc) would only become evident in future years.

6.15 The Sub-Committee noted that leisure centres are one of the highest consumers of energy of any local authority service, and the new biomass boilers are helping improve the Councils environmental performance by reducing emissions, after some initial operational issues. Members also were interested to discover the care taken to conserve resources from the increased use of LED lighting, the thermal cover placed on the pool when not in use, the reduced use of chemicals in the pool water in favour of electronic means, and the use of the recycled water from testing the pool for flushing the toilets in the building. Members suggested that more could be done to promote the positive and innovative work taking place to conserve energy in the Council's leisure centres and to build renewable energy generation into its leisure centres in the future.

6.16 The Sub-Committee felt that, prior to investing in energy saving technology in its leisure centres, the Council needed to thoroughly investigate the ongoing operational demands, alongside environmental benefits, in order to build in contingencies for equipment failure.

6.17 Evidence considered did indicate that value for money was being achieved in the way the Council's contract management function operated. It is understood that there were many long term and complex variables in establishing value for money, including positive health outcomes. It was felt that it is important to establish value for money assessment standards for the Council broadly in line with the National Audit Office criteria to assess value for money for government spending, including equity to ensure that resources are being fairly distributed.

f. *How does the management of the Contract contribute to ongoing innovation and improvement?*

6.18 Day-to-day operational improvements resulting from active use of the Quest management tool are discussed above. The Sub-Committee also saw evidence of on-going commercial innovation and improvement and considered the "profit share" element of the contract, the partnership ethos, the availability of investment funds, the open book approach, appropriate handling of risk and the commercial freedom offered to the contractor, as highly effective drivers of this

improvement and innovation. Members identified the need for future investment, particularly at Cranleigh, as essential for improvement and financial success as well as investigation options for increased provision of car parking at Godalming Leisure Centre.

g. What are the skills and competencies necessary to successfully manage larger service contracts and what types of training would be most useful?

6.19 The Sub-Committee considered it essential and beneficial for the officers to have the right skills and competencies to manage the contracts. It further believes that the Council currently has an appropriate team in place and that this is being achieved. Essential areas of knowledge include awareness and understanding of industry wide performance metrics used for leisure centres, financial understanding and understanding of Health and Safety. Relevant industry experience clearly enhanced each of these areas and improved the ability of the WBC team to interact with the contractor's staff.

h. What lessons can be learnt from the management of Leisure Contract here for other contracted out services in the Council?

6.20 The Sub-Committee thought there were many potential lessons for other services in the Council that deliver large scale functions through contractors. These lessons include:

- the vital and active role of the “client” or “contract management” team in the success of a service delivered through a contract.
- The benefits of using management tools to provide a framework for continuous improvement and to promote collaborative working practices between the Council and contractor.
- the need for the Council to establish key performance indicators to measure the success of the service together with consequences of poor performance.
- the need for the Council to identify the risks associated with the contract, to allocate those risks to the party best able to manage them (i.e. the Council or contractor) and to establish a systematic risk review process.
- the promotion of a partnership ethos between the Council and contractor based on a shared commitment to excellence and agreed objectives.
- the benefit of openness and trust between the Council and contractor, together with a shared and methodical approach to problem solving.
- the need to establish a mechanism to identify service benefits and opportunities and to deliver change.
- the need for a regular review process to identify areas for investment, deliver savings and service improvements.

- ensuring that the contractor actively and continuously promotes and rewards a team culture approach with its employees and its client.

6.21 Members also thought there was an opportunity for the Council's contractors and client teams to meet at least annually to identify and share best practice and promote a culture of learning across their contracts.

I Can potential cost savings be identified?

6.22 Elsewhere we have identified how the monitoring client-side group are well organised and have the necessary processes to provide effective contract management in a partnership style. No unnecessary extra activities were identified and the team appeared appropriately lean for the task.

7. **Methodology for Overview and Scrutiny Reviews**

7.1 A further part of the review, was to look into the approach the council could take to carrying out a review and to develop a methodology that could be considered those undertaking future reviews. A methodology was proposed with a set of principles to set the culture and guide the approach. This can be reviewed in the evidence pack and will be looked at in more detail by the O&S Coordinating Board

7.2 However, the Group would at this stage make the following observations with the benefit of hindsight:

- Our group took on potentially too large a workload.
- A smaller more focussed project could probably have delivered most of the benefits and thus been a better return on the resources invested.
- Greater involvement should have been made of appropriate officers from the outset. Though we continue to believe that officers supporting the interviewers must be independent of the service.

8. **Recommendations**

8.1 Having considered all the findings and evidence gathered (which is attached as a separate annexe and available online via the website), the Sub-Committee has identified a set of recommendations which pertain directly to the management of the Leisure Centre Contract and are shown in regular text below. A set of associated recommendations based on incidental observations during the course of the review are also noted in italics for consideration.

1. Given the difficulty that the Sub-Committee had in identifying the commercial and wellbeing expectations that PfP are expected to perform to it is recommended as a matter of urgency that the Portfolio Holder for Health, Wellbeing and Culture and the Head of Communities and Special Projects develop a clear policy setting out the Council's priorities for leisure centres in Waverley; For this policy to take into consideration PfP's company objectives

to ensure there is no conflict in objectives between the Council and the contractor;

Customer Service and Value for Money

2. The contractual arrangements between the Council and Places for People (PfP) should be highlighted as a success and used as an example of good practice for other services in the Council that deliver large scale functions through contractors, specifically:
 - Highlighting the importance of the in-house experience / skills of the contract management team in delivering a service through a contract.
 - Noting the promotion of a partnership ethos with the contractor based on a shared commitment to excellence and effective risk allocation.
 - Noting the promotion of openness and trust and a shared and collaborative way to problem solving.
 - Noting that both client and contractor structured the contract to promote innovation, flexibility and adaptation where necessary.
3. For the Council's Finance Department to start collecting good practice procedures by management accountants and in particular the specific procedures used by the current management accountant for Leisure.
This will provide quality information for a hand-over and back-up if the post holder is not available. Ultimately, best practice should be captured in a financial management manual.
4. For the Council to create a specific budget monitoring template for leisure centres to improve financial and commercial management and analysis.
5. For the Council to review the performance indicators currently in use for assessment of PfP performance, and to engage with PfP about which key performance indicators would be beneficial for driving efficiency, innovation and improvement, namely:
 - To understand the performance of the Council's leisure centres it is recommended that the Council establishes a performance sharing network with similar neighbouring authorities to share key delivery metrics to help drive financial and service improvement.
 - For the measurable targets to be set in accordance with an overall policy for leisure centres.
6. To ensure continuous assessment of value for money it is recommended that profit share should be set against costs incurred by the Council running the

contract, together with asset depreciation and life cycle costs in order for scrutiny committees to better assess whether the contract is value for money.

7. In efforts to provide further value for money, steps should be taken to ensure that opportunities are being investigated and taken to reduce the Council's internal operating costs for managing the leisure centres including further options for energy efficiencies.
8. For the Council to include risk thresholds in monthly accounts for the Borough's leisure centres and for these to be frequently reviewed.
9. With a view to improve customer experience it is recommended that the Council, in liaison with PfP explore innovative solutions to promote customer contacts online to reduce costs where appropriate.
10. To investigate and implement the use of Quest, or equivalent industry leading management tools, across third party contracts as this had proven a very successful tool for monitoring performance.
11. *The review recognises the importance of physical activity on mental health and wellbeing and this should be articulated clearly in any plan concerning sports and leisure.*
12. *For the Community Wellbeing Overview & Scrutiny committee to receive a report on investment options for Cranleigh Leisure Centre following the findings of the feasibility study carried out at the centre.*

Community Wellbeing

13. For the Community Wellbeing Overview & Scrutiny Committee to monitor the number of referrals by GP's to the leisure centre as part of the health and well-being offer; and to encourage feedback from customers that have been referred as part of the leisure centres' health and well-being offer;
14. For the Council and PfP to work together to market the leisure centres to attract the least physically active and students during term time by exploring a range of community based initiatives;
15. For there to be further work to encourage partnership working with the Clinical Commissioning Groups to explore opportunities to work alongside healthcare professionals to break down barriers to physical activity and tackle health inequalities; including investigating how occupational therapy could be introduced for the purpose of leisure rehabilitation;

16. *For the Council to play an active role in increasing the level to which the leisure centres are more 'dementia friendly' by exploring training needs for WBC and PfP staff and identifying associated risks.*
17. *For PfP's to investigate partnership opportunities with the Waverley apprenticeship scheme.*
18. *To Identify opportunities to increase participation by targeting and publicising activities and events at Leisure Centres more widely using the Council's publications and social media, in partnership with PfP's marketing programme.*

Environment

19. *To encourage PfP to investigate ways to conserve and make the leisure centres more energy efficient so ratings are in line with climate change targets.*

ANNEXE 1

Proposed Scrutiny Review: Leisure Centre Management Contract

1. REVIEW OUTLINE	
Subject of the review	The management of the Leisure Centre Contract and an exploration of what this has achieved
Approach/Methodology	<p>In-depth review by Community Overview and Scrutiny Sub Committee through a series of meetings</p> <p>To scrutinise the management of the Council's leisure contract covering the five leisure centres, by:</p> <ul style="list-style-type: none"> a) examining the management and monitoring processes that have been developed b) evaluating what has been achieved and lessons learnt c) identifying the extent to which strategic priorities such as Value for Money, Wellbeing and improving the Environment translate into action on the ground d) Exploring the contribution to other Council functions to the management of the Leisure Centre Contracts e) drawing out best practice lessons that may benefit the management of other service contracts in the Council. <p>Meeting the Waverley staff who are actively involved in the management of the contract, the Head of Service, Director, and representatives from Places for People (The Leisure Contractor) and relevant officers from other Council functions (eg Finance, Procurement, Estates, Wellbeing, Legal etc)</p> <p>Inform the approach taken to future in-depth reviews by the Overview and Community Committee.</p>
1.1 Reasons for the Review	
Reasons for conducting this review	This represents a longstanding contract for the Council and a service that has received significant capital investment in recent years but relatively low levels of formal scrutiny
Key question(s) the review aims	Is there an effective leadership, management

<p>to answer</p>	<p>process and associated contract monitoring in place to ensure the effective operation of the Council's Leisure Centres?</p> <p>Can a more commercial approach to the design and implementation of leisure centres lead to wider benefits?</p> <p>In managing the Leisure Centre Contract, which aspects should be managed tightly and where should greater freedom and flexibility to allowed?</p> <p>How has an ethos of trust and partnership working been developed and sustained between the Council and Places for People (the contractor)?</p> <p>How well are the Leisure Centres contributing to the Council's Corporate Priorities:</p> <ul style="list-style-type: none"> • Community Wellbeing? • Improving the Environment? • Value for Money? <p>How does the management of the contract contribute to ongoing innovation and improvement?</p> <p>What are the skills and competencies necessary to successfully manage large service contracts and what types of training would be most useful?</p> <p>What lessons does the management of the Leisure Centre Contracts have for other contracted-out services in the Council?</p>
<p>Objectives of the review/areas for investigation</p>	<p>To carry out an audit of the processes used to monitor the adherence of contract specification. Identify the added value beyond the core specification that has been achieved through an ethos of partnership working.</p>
<p>Outcomes expected from conducting review</p>	<p>To confirm that the service meets the needs of Waverley in delivering a contract with value for money</p> <p>Lessons that can help inform the procurement and on-going management of other contracts in the Council</p>

1.2 Sources of information	Corporate Plan Contract monitoring pack and performance metrics Leisure Centres Contract Specification Relevant Service Plan objectives Places for People Team	
2. PROJECT PLAN & RESOURCING		
2.1 Councillor involvement		
O&S councillor leading review	To be determined by the Community Overview and Scrutiny Committee	
Other O&S members involved	To be determined by the Community Overview and Scrutiny Committee	
Key Executive councillors	Executive Member	
Other Executive Portfolios covered	None	
2.2 Officer Support & External involvement		
Corporate Director	Damian Roberts, Director of Operations	
Lead Officer	Kelvin Mills, Head of Community Services and Special Projects	
Other Officers	Tamsin McLeod Sally Seymour Emma Das	
Expert witnesses, possible co-optees	Places for People Manager	
2.3 Other Council Services expected to contribute	Legal team Finance team Communities team	
2.4 External Organisations to be invited to contribute/submit evidence	Places for People Leisure	
2.5 Publicity and Awareness of the Review	None at this stage	
Publicity activities to be undertaken	To promote findings at the conclusion of the review	
2.6 Timetable of the review	Autumn 2016 and Spring 2017	
	Time required	Completion date
Meetings and evidence	6 weeks	

gathering		
Evaluation of evidence and draft recommendations	2 weeks	
Produce draft report	2 weeks	
Consultation on draft report	2 weeks	
Consideration of draft report by O&S Committee		14 March 2017
Report to relevant decision-makers		
Schedule monitoring of implementation of outcomes		
2.7 Specific Costs	e.g. site visits	
2.8 Equalities issues	Maximising the contribution of leisure centres to those in greatest need and maximising access to all parts of the community including those that would not traditionally go to a Leisure Centre.	
2.9 Constraints /Barriers/Risks	Tamsin McLeod, Leisure Services Manager, is responsible for the management of the contract will be on maternity leave from 21 st October for up to a year	
3. SIGNED APPROVAL		
Signed: (by Chairman on behalf of the Overview & Scrutiny Committee)		
Date Agreed: (by Overview & Scrutiny Committee)		