

<b>Item No.</b> 17.	<b>Classification:</b> Open	<b>Date:</b> 9 February 2016	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 2 – Contract Award Approval - Management of the Council’s Leisure Centres	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Barrie Hargrove, Public Health, Parks and Leisure	

**FOREWORD – COUNCILLOR BARRIE HARGROVE, PUBLIC HEALTH, PARKS AND LEISURE**

This report calls on cabinet to agree the recommendation to award the contract to manage Southwark’s leisure facilities to Sports and Leisure Management Ltd. (SLM) (SLM). This is a very exciting time for Leisure in Southwark. The introduction of Free Swim and Gym throughout the borough, opening of the brand new facility at the Elephant and Castle, exciting plans for an eight lane state of the art Leisure Centre at Canada Water, to name just three.

Not least of course, is the opportunity to revamp service provision across the suite of our centres. Since 2010 the council has continued to make capital investment in sport and leisure. More than £50m has already been spent on bringing swimming pools, gymnasia and other indoor sports provision up to the very best standards in class. This has been reflected in an enormous jump in usage of Southwark’s centres from some 900,000 in 2010/11 to nearly 1.4 million visits today.

But this is not a signal that we want to stop there. Attracting additional numbers of users is a good and very welcome thing in itself and something I have full confidence our service with our new partner will continue to do. However, health inequalities is fast rising up the political agenda, and this tendering process seeks to address that.

I would like to thank our current leisure provider for all they have made possible for residents and users these last fifteen years or so. I want to thank them for all the work they have done in recent months in seeking to attract “harder to reach” residents through our Free Swim and Gym pilot scheme. We very much see SLM building and expanding on this.

I also wish to pay tribute to the officers in the environment & leisure Department (and across the Council generally) from whom I have witnessed exceptional diligence and robustness in reaching this point in the tendering process. Going forward, I fully expect Southwark’s local authority Leisure offer to be amongst the very best in the country. As an elected member the bulk of the correspondence I receive regarding our leisure centres concerns maintenance and cleaning standards. These are the bread and butter basics and I am confident that not only does this report and related tender documentation address them, I am confident that our officers will monitor these aspects with the same rigorous focus described above.

We are embarking on another step upwards and outwards for Leisure, Sport and Health in our borough. I am satisfied that this proposed partnership arrangement offers the best value and service delivery option for the council and the residents it so proudly serves.

## **RECOMMENDATIONS**

1. That the Cabinet approves the award of the contract to manage the Council's leisure facilities for a period of seven years to Sports and Leisure Management Ltd. (SLM) from 21 June 2016 with an option to extend for a period or periods of up to a further seven years.
2. That the Cabinet notes that the profile of the fee is one which results in the council being paid a fee from the second contract year onwards. Details of which are noted in the closed report.
3. That Cabinet notes that the delivery of the Council's Fairer Future promise of Free Swim and Gym for all residents, as outlined in paragraph 17, will be delivered within the contract sum being paid to the Council.
4. That the Cabinet note the success of the Due North Procurement Portal which was used for this procurement as a one off test project.

## **BACKGROUND INFORMATION**

5. The gateway 1 report for the procurement strategy was approved on 17<sup>th</sup> March 2015. The procurement route approved was for the council to carry out a competitive tendering exercise by way of an EU tendering process to seek a minimum of five tenders. The procurement timetable and methodology approved in the gateway 1 report was followed and is set out in the procurement project plan below.
6. The council's current leisure management contract with Fusion Lifestyle will expire in June 2016 and currently covers six centres.
7. The Elephant and Castle Leisure Centre was included in the agreement until June 2012 when partial termination of the agreement was arranged to enable its redevelopment. The Castle Centre has now been bought back into the current agreement via a Deed of Variation until the current contract expires in June 2016.
8. Over the last several years, the council has invested more than £50 million in its leisure facilities including the new centre at the Elephant and Castle, total refurbishment of Camberwell and Dulwich leisure centres and Surrey Docks Watersports Centre and a range of works at Peckham Pulse and Seven Islands Leisure Centre. Southwark Park Athletics Track will be brought back into use in 2016 and there are also plans for a major new leisure centre at Canada Water to replace Seven Islands. £2 million is being invested in the current Seven Islands centre to sustain and improve the service pending the delivery of the new facility.
9. This investment has resulted in a very significant increase in the use of Southwark's leisure centres which now receive nearly 1.4 million visits per year compared to just over 900,000 in 2010/11. The much improved condition of the building stock, provision of new facilities and increased uptake in use combine to

make the Southwark contract very attractive to the leisure market and potential providers.

10. Following this investment, the council is keen to further increase the levels of use and to ensure that the service contributes strongly to the health agenda. In view of this, the council is committed to introducing a free swim and gym offer to all residents. This has been piloted with targeted groups since May 2015, with an all residents general offer being introduced from July 2016.
11. The key objectives of the procurement strategy were:
  - Social and Fairer Future priorities;
  - Sustained service improvement (including greater innovation and community involvement);
  - Greater council influence on the service policy and design (i.e. what it looks like and how it is delivered);
  - Improved cost effectiveness and efficiency; the leisure portfolio is completely different as a result of the investment programme. This has positively altered its attractiveness within the leisure market;
  - Greater transparency through more open book accounting;
  - Flexibility to make changes to the service as necessary.

**Table 1. Procurement project plan (Key Decision)**

<b>Activity</b>	<b>Completed by/Complete by:</b>
Approval of Gateway 1: Procurement Strategy Report	17/03/2015
Invitation to tender	18/08/2015
Closing date for return of tenders	23/10/2015
Completion of evaluation of tenders	23/11/2015
Forward Plan	01/12/2015
DCRB Review Gateway 2:	14/12/2015
CCRB Review Gateway 2:	07/01/2016
Notification of forthcoming decision – despatch of Cabinet agenda papers	28/01/2016
Cabinet Approval of Gateway 2: Contract Award Report	09/02/2016
End of Scrutiny Call-in period and notification of implementation of Gateway 2 decision	17/02/2016
Standstill Period	22/02/2016
Contract award	29/02/2016
Add to Contract Register-	07/03/2016
TUPE Consultation period	19/06/2016
Contract start	21/06/2016
Publication of award notice in Official Journal of European (OJEU)	07/03/2016

<b>Activity</b>	<b>Completed by/Complete by:</b>
Publication of award notice on Contracts Finder	10/03/2016
Contract completion date	20/06/2023
Contract completion date – if extension(s) exercised up to maximum of 7 years	20/06/2030

## **KEY ISSUES FOR CONSIDERATION**

### **Description of procurement outcomes**

12. This report seeks the approval to award the contract for the management of the following leisure facilities;
- Camberwell Leisure Centre
  - Dulwich Leisure Centre
  - Peckham Pulse Healthy Living Centre
  - Seven Islands Leisure Centre
  - Southwark Athletics Centre
  - Surrey Docks Water Sports Centre
  - The Castle
  - Geraldine Mary Harmsworth Sports Facility (additional to existing requirement)

### **Sports booking system**

13. Included in the services to be provided is the management of the booking systems and services for all of the centres listed above as well as those listed below (not including tennis courts which potentially will be covered by a separate arrangement but still have the ability to integrate with this sports booking system)
- Burgess Park
  - Belair Park
  - Dulwich Park
  - Honor Oak Sports Ground
  - Peckham Rye Park
  - Southwark Park
  - Tabard Gardens
14. The new sports booking service will allow customers to;
- make online payments and bookings for all sports services
  - provide a single point of access to booking sports facilities for the whole borough either on line, over the phone or in person.
15. The new system will also
- have read only access to the system for the council
  - provide robust sales analysis, management information and review of asset maximisation.

16. The new system will be fully implemented within 6 months of the contract commencement date. The contractor has committed to linking the booking system with MySouthwark.

### **Free swim and gym**

17. The offer for all residents will be introduced in July 2016. The contractor will market, deliver and measure the following:
  - Free swim and gym for all residents and council staff all day on Fridays and Saturday/Sundays from 2.00pm to close at all centres
  - The swimming includes general/lane swimming and age related swim sessions (child and adult go free)
  - The gym includes junior gym sessions for 14-15 year olds at specified times and free access to residents aged over 16
  - Over 60s residents access to the current Silver programme for free. These are various swimming, gym and classes that operate at various times during the week
  - Free swim and gym throughout the week for those on the GP physical activity referral scheme including Kickstart; and the NHS Health Checks Programme
  - Free disabled access to the gym and swimming pool all week.

### **Policy implications**

18. The leisure contract will have cross cutting benefits in promoting good health and social cohesiveness. It will be the vehicle for delivering the council's Fairer Future promise of access to free swim and free gym facilities.
19. The contract will also contribute to achieving a number of the other Fairer Future promises such as value for money and contributing to Southwark becoming an age friendly borough, through schemes that ensure all residents, no matter what their age have access to excellent leisure facilities.
20. The contract procurement process followed has ensured that the preferred contractor has adopted the Fairer Future principles in the delivery of the services.
21. The new leisure contract is in line with the aims of the council's Physical Activity and Sport Strategy 2014-17 in relation to providing a new and enhanced leisure contract that maximises use of the facilities through excellent management and programming resulting in increased participation in physical activity.
22. The leisure contract is in line with a number of objectives in Southwark's Health and Wellbeing Strategy such as;
  - Giving every child and person the best start in life
  - Building healthier and more resilient communities and tackling the root causes of ill health
  - Improving the experience and outcomes of care for our most vulnerable residents and enabling them to live more active and independent lives.

## Tender process

23. It was agreed that the procurement route for this contract would be the restricted tender process pursuant to the Public Contracts Regulations (2015), whereby an invitation was issued for expressions of interest via a pre-qualification questionnaire. Those economic operators who were shortlisted (up to five organisations) following evaluation of the pre-qualification questionnaires were then invited to tender.

## Tender prequalification questionnaire (PQQ)

24. The contract was advertised in 27 June 2015 through the OJEU and contracts finder website.
25. On 6 July 2015, a bidders day took place starting at Surrey Docks Water Sports Centre with a presentation and tour of the centre and included tours of the other main sites included in the contract. 15 representatives from 6 companies attended.
26. Officers arranged a trial of the London Procurement Portal with Due North (portal owners and administrators) to assist with the management of the procurement. This was the first procurement by the council to be conducted solely via the web. Officers fed back to the Procurement Advice Team that conducting the procurement using the web portal had numerous advantages including process transparency, accountability and more efficient use of council resources.
27. 7 PQQ's were submitted via the portal. The PQQs were evaluated against a pass/fail assessment for the mandatory PQQ requirements and a scoring of the project related questions specific to this tender such as quality management, experience of operating a similar contract and social value initiative and concessionary schemes.
28. All 7 passed the PQQ, but in accordance with the council's stated selection criteria, only the top 5 ranked providers were invited to tender.

## Invitation to tender (ITT)

29. Tender returns were evaluated using published evaluation criteria based on a Most Economically Advantageous Tender (MEAT) approach which comprised a technical evaluation and a financial evaluation to assess quality and price. The council standard price: quality ratio for evaluating tenders is 70:30. However, with very competitive financial bids expected it was important to ensure that standards of quality and delivery are maintained. In accordance with the Gateway 1 the tenders were evaluated using a 60:40 price:quality ratio with quality thresholds set for all key method statements. The 13 method statements for the technical criteria are listed below.

**Table 2. Technical method statements and commercial weightings**

Quality/Technical criteria	Weighting
Programming, Sports Development and Partnership Working	6%
Social Impact and Health Outcomes	6%
Customer Care, Marketing & PR	4%
Service Improvement and Innovation	4%

<b>Quality/Technical criteria</b>	<b>Weighting</b>
Asset Management and Environmental Sustainability	3%
Staffing	3%
Quality and Quality Management Systems	3%
Health and Safety	3%
Financial Management, Reporting, IT Systems & CRM	2%
Cleaning	2%
User Prices	2%
Catering	1%
Contract Mobilisation	1%
<b>Technical weighting (Quality)</b>	<b>40%</b>
<b>Commercial weighting/proposed management fee (Price)</b>	<b>60%</b>

30. The council encouraged bidders to visit the sites covered by the contract to enable the preparation of fully informed and high quality proposals.
31. Bidders were informed of the council's intent to build a new facility in the Canada Water area in the next 3 to 4 years and that this facility would be a replacement facility for the existing Seven Islands Leisure Centre. They were also informed of the council's intent to vary the new centre into the existing contract via a change control procedure. Bidders were asked to bid against a particular set of assumptions.
32. Bidders were asked to consider potential facility improvements that they could introduce during the life of the contract subject to any planning approvals and consultation processes. They were asked to factor the cost of these improvements into their business plans and this investment by the contractor is set out in the closed report.
33. In relation to the Free Swim and Gym Scheme bidders were asked to bid on the basis of the offer noted in paragraph 17. In addition to this they were also asked to provide a mechanism by which an extension to the scheme could be calculated as any expansion on the existing wider offer would result in additional costs to the council. The contract includes change control mechanisms to expand the scheme at a future date should the council wish to.
34. During the ITT process 2 of the 5 bidders invited to tender withdrew from the process. The Project Board considered that continuing the tender process with the remaining 3 providers was sufficient to ensure a competitive process.

### **Tender evaluation**

35. The council received three tenders details of which are in the closed report.
36. Tenders were subject to an initial compliance check to confirm that:
  - Tenders had been submitted on time, were completed correctly and met the requirements of the Invitation to Tender.
  - That no tenderer had contravened any of the terms and conditions of the Restricted Procedure or the tender process – either provided in the Public Contracts Regulations 2015 (as amended) and/or the Invitation to Tender
  - That each tenderer had confirmed the acceptance of the terms and conditions of the contract.

37. Returned tenders were reviewed by an evaluation panel comprising suitably qualified officers reflecting the nature of the contract. The core panel were:
- Sports and Leisure Services Manager
  - Leisure Contract Officer
  - Leisure market specialists appointed to advise on the procurement.
38. Guest specialist evaluators were also invited to assess the method statements relevant to their area of expertise. Prior to evaluation the guest evaluators contributed to the drafting of the Services Specification and Method Statement Guidance. A number of council business units contributed to the process and they are listed below.
- Corporate Facilities Management
  - Environment and Leisure Health and Safety
  - Procurement Advice Team
  - My Southwark Team
  - Public Health Team
  - Communications Team
  - Corporate Training and Development Team
  - Customer Experience Team.
39. Service users also took part in the evaluation process. 5 representatives from 3 centres came together over two workshops chaired by the Lead Member for Public Health, Parks and Leisure and contributed to the specification, method statement requirement and tender evaluation for the 'Customer care, marketing and PR' element of the contract. The lead member did not take part in the evaluation.
40. Table 3 below sets out the combined price and quality score for the recommended tender.

<b>Tenderer</b>	<b>Quality Score</b>	<b>Price Score</b>	<b>Total Score</b>	<b>Position</b>
	<b>40 %</b>	<b>60%</b>	<b>100%</b>	
Sports and Leisure Management Ltd. (SLM)	27.2	57.3	84.5	1

41. SLM received the highest combined score, evaluated in accordance with the council's stated evaluation methodology, and as the most economically advantageous tender is recommended for award of this contract. SLM received the highest score for price, and was within 1.5% of the top scoring bidder for quality. Full details of the scores for the 3 bidders are noted in the closed report
42. The award of the contract is based on M.E.A.T. The evaluation methodology set out that the top scoring tender would be awarded a contract. It is therefore recommended that SLM be awarded the contract.
43. SLM scored 8 or above (good or excellent response) in 9 of the 13 method statement responses, and obtained a satisfactory response in the remaining 4 method statements. Particular areas of strength were programming, sports development, partnership working, staffing, service improvement and innovation.



44. The contract with the Council would be entered into by SLM Ltd, this is the holding company of the group, and would be responsible to the council for all aspects of the operation of the contract. SLM Ltd. are an experienced leisure operator managing 117 leisure and culture facilities across 35 local authority partners. Their current facilities range from community buildings to major national sporting venues and include a number of facilities that are very similar in size and nature to those within the Southwark contract.
45. The operation of the leisure centres will be subcontracted to the SLM Community Leisure Charitable Trust, an Industrial and Provident Society registered as a charity with the Charities department of HM Revenue and Customs.
46. The SLM Community Leisure Charitable Trust will be the rateable occupier of the buildings. Operationally, the SLM Community Leisure Charitable Trust will continue to be responsible for main operations of the centres.

### **Plans for the transition from the old to the new contract**

47. The current contract has provisions to deal with exit for the incumbent provider. The council is confident that the transition will be a smooth one. The recommended contractor has considerable experience in the management of contract mobilisation processes. Throughout the process the contractor will work closely with the council to ensure the process is managed effectively and seamlessly.
48. To build on the capital investment programme already rolled out by the council the contractor is proposing to deliver the following service and centre capital improvement projects, subject to the council's approval, subject to customers consultations and taking into account any planning permission required. The improvement projects are aimed at increasing participation, customer satisfaction, value for money and income generation.
  - Commitments to explore and fund facility developments at Peckham and Camberwell to improve the activity offer.
  - New state of the art fitness equipment for the gyms at 5 centres
  - New group exercise class equipment at 4 sites (including technology for virtual spin classes)
  - Numerous customer focused new technology projects (see point 53)
  - Various environmental and energy usage improvement projects.
49. The contractor will be responsible for the repairs and maintenance of the buildings in accordance with the Asset Responsibility Matrix outlined within the contract. This document sets out the split of responsibilities between the council and the contractor.
50. For The Castle Centre (and Canada Water when it is built) the contractor will be responsible for all planned preventative maintenance and structural risk subject to appropriate warranties being provided by the building contractor.
51. New leases will be granted for each of the facilities from the Authority to enable the Contractor to carry out the services. The leases will exclude security of tenure and will expire at the same time as the Contract (after seven years or earlier if the Contract is terminated earlier). The leases can be extended if the Contract period is extended.

52. The council will remain responsible for insuring the building structures of the older sites. The contractor will be responsible for all other insurances including public and employee liability. The Castle Centre and the new leisure centre at Canada Water (when completed) will have full insuring and maintaining leases.

### **New technology**

53. The contractor will deliver a number of customer focused technological improvements during the early part of the contract to promote regular physical activity. These include:
- A new and improved website – including the function for customers to set up their own profiles within the ‘Activity Hub’ enabling them to track their health improvement progress and tap into a number of useful tools such as programmes and physical activity planners. The website will be integrated with a number of fitness apps such as MapMy products and the NHS Fitness and Health app
  - Online sports booking system – See paragraph 13
  - Online gym inductions – 5 step process allowing new customers the flexibility as to when they have their induction
  - The Everyone Active App – available on Google Play, Android and IOS versions – this will allow customers to view timetables, centre information and news flashes. They will also be able to use the app to book sessions
  - My Wellness Cloud – this links the fitness equipment to the customers profile on the ‘Activity Hub’ helping them track their progress, join gym challenges, link to nutritional trackers and allow them to view their exercise programmes on their smart phone
  - Commitment to link the new services to MySouthwark.

### **Plans for monitoring and management of the contract**

54. The client role of the contract including the management and administration of the contract will be managed by the sports and leisure services team who will ensure that the contractor complies with the terms and conditions of the contract, contractor method statements and all related documents including the services specification.
55. Council officers will monitor the contract by undertaking bimonthly inspection visits to sites paying particular attention to cleaning and maintenance standards and delivery of customer care against an agreed set of criteria. Regular contract meetings will take place and a series of reports will be supplied throughout the year.
56. Officers will pay particular attention to the monitoring of standards during the introduction of the general offer for the Free Swim and Gym Scheme. It is anticipated that the centres will receive more visitors therefore cleaning and maintenance schedules will have to reflect the increase in usage. Officers will monitor the centres to ensure that high standards are still achieved in accordance with the contract.
57. The services specification provides details of the council's requirements for the management of the facilities and is largely output based. So that the council can enforce the outcomes it requires from the contractor and encourage continuous

improvement throughout the life of the contract both the council and the contractor have agreed to a performance management system (PMS) which meets this objective and is efficient and practical to operate. The PMS is vastly changed from the previous contract and is much simpler to operate within.

58. Through working together with the contractor in a positive partnership, the council's intention is that the PMS will provide reasonable and prudent checks while not diverting the contractor from delivering a high quality of service. The Contractor will monitor its own performance against the performance standards that are set out in the services specification. In addition the council and customers may report any performance failure at any time to the contractor. The contract sets out timeframes in which the contractor has an opportunity to contain and rectify the performance failure.
59. Performance against the Performance Standards are reported as follows:
- Annual performance standards are reported in the Annual Service Report
  - Quarterly performance standards are reported in the Quarterly Monitoring Report
  - Operational performance standards are reported in the Quarterly Monitoring Report.
60. Any failure to meet a performance standard incurs failure points. The total number of failure points at the end of each quarter and contract year may result in a financial adjustment in the management payment to the council.

#### **Improved customer care**

61. The contractor has committed to achieving the Customer Service Excellence Award. The assessment will involve reviewing the facilities and procedures and interviewing staff and customers about the service. The contractor will be assessed on a number of criteria in areas such as customer insight, culture of the organisation, delivery, information and access and timeliness and quality of service.
62. The Contractor will also be carrying out the following customer service research throughout the contract, they will ensure that the information ascertained from the research is analysed and the results used to inform future service delivery:
- Customer focus groups per centre. The purpose of these meetings is to gain an understanding of Users' experiences of the centres and to help improve and develop the Services offered. The User group should be made up of fairly elected members from as many activity areas of the Facilities as possible
  - Customer exit interviews
  - Analysis of all verbal and written comments and complaints including reporting percentage of complaints responded/resolved within the agreed parameters
  - Consultation with clubs and key User groups at least every six months
  - Mystery visits and telephone calls
  - Equalities monitoring data
  - Annual User and non-User survey.

## **Key Performance indicators**

63. As part of the PMS reporting process a number of quarterly and annual Key Performance Indicators (KPIs) will be monitored in the contract.

### **Selection of the annual performance indicators**

- Increased levels of activity
- Increase in participation by target group members (e.g. people with disabilities, BME groups, people under 16 and over 60 and people who are less active)
- Increased levels of activity by people using the Free Swim & Gym Scheme and other public health programmes
- Number of people referred who complete the exercise referral, cardiac rehab programmes and NHS Health Checks Programmes
- Increasing workforce development opportunities through the employment of apprentices
- Reduction in annual CO2 emissions. Reduction in energy usage and increase recycling
- Health and safety compliance.

### **Selection of the areas covered by the quarterly performance indicators**

- Cleanliness
- Customer service including complaints and customer research
- Building management including planned preventative maintenance, lifecycle maintenance, reactive maintenance and statutory compliance.
- Reporting to the council
- Marketing and publicity.

64. The contractor has the following quality accreditations which they will be expected to maintain during the life of the contract;

- QUEST accreditation for each of the sites (leisure services quality certificate)
- ISO14001 Environmental management
- OHSAS 18001 Health and safety management
- Investors in people
- Inclusive Fitness Initiative (IFI) – Leisure facility and service accessibility accreditation.

65. The contractor also has a number of internal and external quality management systems and audit processes which all feed into a continuous improvement plan.

66. The contract will be managed within the council's sport and leisure services business unit. Once the contract is operational, the client team will provide strategic and policy advice to the council in relation to matters relating to the contract.

67. Systems will be put in place to develop, monitor, manage and evaluate performance, in line with the overall purpose of being a 'best practice' client. The team will also be responsible for ensuring that statistical returns to other council departments and external bodies and partners are completed.

**Table 4. Identified risks for the new contract**

<b>Risk No.</b>	<b>Risk identification</b>	<b>Risk level</b>	<b>Mitigating action</b>
R1	No contract in place on 21/06/2016	Low	Project management of procurement process
R2	TUPE process complications due to scale of service	Low	Early engagement with HR, legal and current contractor
R3	Contractor experiences financial difficulties or ceases to exist	Low	All necessary finance checks have been completed and financial model benchmarked. Regular reviews of financial data submitted by the contractor throughout the life of the contract will take place.
R4	Poor transition of services from one organisation to another	Low	Detailed mobilisation plan submitted both organisations with experience of change management, effective project management with regular communication with the council.

**Community impact statement**

68. The intention of this contract is to deliver increased access and opportunities and long term health benefits from our leisure provision: As such there are only positive impacts on the community. The specification of the contract, the existing provision and the policies of the awardee meets the requirements of the Equalities Act and the Public Sector Equality Duty and there are no apparent detrimental impacts to protected groups or characteristics.

**Sustainability considerations**

69. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

**Economic considerations**

70. The contractor has committed to supporting the council’s policy of delivering a stronger local economy by focusing their recruitment, training and development strategies within the borough. The contractor is committed to implementing local initiatives for the promotion of employment and training, offering work placements and running annual employment fairs. Advertisements for job opportunities will be promoted through numerous local outlets.

**Social considerations**

71. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, our contractors and sub-contractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report confirms, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract offering enhanced

quality of work from a motivated workforce and a lower staff turnover. SLM have confirmed that they meet the LLW requirements. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of each of the contract review processes.

72. The contractor has committed to employing, as a minimum, 5 apprentices across the contract by the end of the first contract year and a minimum of five per year thereafter. The contractor has extensive experience of running apprenticeship and NVQ schemes and currently employs 350 apprentices across their other contracts.
73. The contractor fully supports the council's approach to not utilising zero hour contracts and has a commitment to employing full and part time staff as opposed to casual staff which has been factored into their staffing structure and costs.
74. The contractor has committed to working with the Trade unions not only during the TUPE process but throughout the life of the contract.
75. The contractor has recognised the councils plan for a 'Best start in life' with the focus on Looked After Children as a key priority. The contractor will deliver the free access for looked after children as required within the contract.

### **Health and wellbeing**

76. The contractor will deliver a comprehensive Sports and Community Development & Activity Plan which will be delivered collaboratively with the Council. The plan will be developed in synergy with the Southwark Physical Activity and Sport Strategy.
77. The council operates an 'Exercise on Referral' (EOR) service in partnership with local doctors surgeries. The EOR service provides sedentary individuals and individuals with low risk medical conditions a positive introduction to being physically active. The introductory exercise programme should enable patients to maintain a physically active lifestyle, without dependence on the exercise professional in the longer term.
78. The scheme allows GPs and Practice nurses, health check nurses and secondary care cardiac nurses to refer patients to one of three levels of support;
  - Kickstart – low level support
  - Active Boost – medium level support
  - Cardiactive – high level support.
79. The EOR scheme has historically been commissioned directly by Public Health and will now be delivered as part of this contract. The EOR is also going to continue to be part of the Free Swim and Gym offer, targeting those most in need of a healthier lifestyle.

### **Environmental considerations**

80. The contractor will prepare for each facility an Environmental and Energy Management Plan which will include environmental targets in line with the council's own commitment and sustainability objectives in the following areas

- Reduction of carbon emissions
- Reduction of environmentally harmful chemicals
- Utility conservation
- Recycling and waste minimisation
- Promotion of sustainable forms of transport.

81. The contractor has identified a number of energy efficiency investments to be completed in year 1 of the contract. This involves financial investment in the facilities by the contractor and will contribute to a reduction in utility consumption and carbon emissions.
82. With regards to utilities the contractor will be taking the risk on both tariff and consumption.

### **Market considerations**

83. SLM currently employs over 8,000 staff. This includes a head office support function of 78 staff, three Regional Management Teams with 36 staff and on-site operational teams. They operate across 35 local authority contracts, and 117 facilities.

### **Staffing implications**

84. The proposed contract presents no TUPE nor pension implications for the Council as an employer. Bidders were advised to seek independent professional advice on the effect of TUPE (including any subsequent amendments to TUPE) on their Tenders and the Contract.
85. Both SLM and the incumbent provider have confirmed their view that TUPE applies and there will be transfer of relevant employees from the incumbent provider to SLM on the contract start date. TUPE will also apply to transfer relevant employees from the incumbent provider's cleaning and catering sub-contractors to SLM at the affected leisure facilities. SLM will become an admitted body of the Local Government Pension Scheme (LGPS) administered by the Council which will enable eligible transferring employees to enjoy continuity in their pension arrangements.
86. The procurement project plan allows for a period of almost 4 months between the confirmation of the contract award and service commencement date which provides sufficient time for the relevant successful and unsuccessful providers to comply with their obligations under TUPE.
87. The contractor has current Investors in People accreditation and has held this for the past 12 years.
88. The contractor will register under the London Healthy Workplace Charter.
89. There will be no impact on council staff caused as a consequence of implementing this contract. Officers are already fulfilling the monitoring roles of the current contract and this function will continue under the new contract. The Contract will be managed by the council's sports and leisure services manager.

### **Financial implications**

90. The procurement process for this contract has resulted in a management fee being paid to the council from the second year onwards which will contribute to enabling the council to meet the government budget cuts.
91. The risk in relation to changes to the applications of NNDR relief lies with the contractor. With regards to The Castle Centre and the new site proposed at Canada Water, the contractor has based their liability on the provisional rateable value which was provided by the council. Any variance in the rateable value will be adjusted by a variation to the agreement when applicable.
92. The contractor has committed to a partnership of open book accounting whereby they will share with the council financial information relating to, for example, performance against the tender submission
93. Any contract monitoring and supervising costs will be funded from the existing Parks and Leisure division's revenue budgets.

### **Legal implications**

94. Please see concurrent from the director of law and democracy

### **Consultation**

95. Service users took part in the evaluation process and contributed to the specification, method statement requirement and tender evaluation for the 'Customer care, marketing and PR' element of the contract.
96. Feedback from customers and customer forums has been used to shape the specification for this contract.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (FC15/051)**

97. The strategic director of finance and governance notes the recommendations in this report for the award of the contract to manage the Council's leisure facilities for a period of seven years to Sports and Leisure Management Ltd. The contract impacts initially on financial years from 2016/17 2023/2. For the initial four years of this time resources to the council in the form of government grant are expected to reduce considerably.
98. The contract will result in a management fee being paid to the council from the second year onwards, and the contractor has committed to a partnership of open book accounting whereby they will share financial information with the council.
99. The financial implications note a risk in relation to changes to the applications of NNDR relief will generally lie with the contractor, and that the liability has been based on provisional rateable value for two sites, which may change. Any variance in the rateable value will be adjusted by a variation to the agreement when applicable.



## **Head of Procurement**

100. This report makes a recommendation to Cabinet to approve the award of the contract to manage the Council's leisure facilities for a period of seven years to Sports and Leisure Management Ltd. (SLM). The contract would commence on 21 June 2016 and have an option to extend for a period, or periods, of up to a further seven years.
101. The tender process involved a restricted, two-stage procurement process, which was advertised and carried out in compliance with the Public Contract Regulations 2015.
102. The report highlights the details of the cost of the contract, asking Cabinet to note that the profile of the fee is one which results in the council being paid a fee from the second contract year onwards.
103. The proposed contract, as outlined in paragraph 17, will deliver the Council's Fairer Future promise of Free Swim and Gym for all residents within the contract sum being paid to the Council.

## **Head of Customer Experience**

104. This report outlines the council's plans for delivering high quality leisure facilities for the people of Southwark. The council's digital strategy requires all services to be accessible digitally; so improving access to facilities 24 hours a day, at our customers' convenience. The council's personalised customer account, My Southwark, is the preferred way for many customers to manage their transactions with the council. My Southwark has over 120,000 account holders and this would be a welcome additional service accessible via the account. It is anticipated that the new leisure services provider will deliver access to leisure membership and information on-line and through the My Southwark account. We will engage with prospective service providers to ensure that access to these services is available on-line.

## **Director of Public Health**

105. The Director of Public Health participated in the evaluation of the tenders and notes the recommendation to award the contract to manage the Council's leisure facilities to SLM. The proposal to require the contractor to develop and implement a comprehensive physical activity health and social impact plan collaboratively with the Council is noted and endorsed. Southwark's population is exceptionally diverse, with some populations having much poorer health. It is important that the excellent leisure facilities and opportunities are taken up by all, in particular those who are least likely to be active, more at risk of poor health for example people who are of very unhealthy weight, or people with existing health conditions including poorer mental health. The Director of Public Health endorses the requirement for Exercise on Referral (Kickstart, Active Boost and CardiActive) to be delivered as part of this contract. The Director of Public Health welcomes and supports the proposed performance indicators relating to increased physical activity, particularly relating to targeted groups and people referred through health programmes and welcomes the opportunity to develop further outcome indicators and targets appropriately.

## Director of Law and Democracy

106. This report seeks the cabinet's approval to the award of contract to SLM for management of the council's leisure facilities. As the award of the contract is a strategic procurement, the decision to award is reserved to the cabinet.
107. The contract was procured in accordance with the Public Contract Regulations 2015 (PCR15), and whilst only subject to the 'Light Touch' requirements of those Regulations (being a Schedule 3 'social and other specific services'), was required to be advertised through the Official Journal of the European Union. As noted in paragraph 24, an advert was placed through OJEU in June 2015. The council's criteria for award was on the basis of the most economically advantageous tender, and as noted in the stated evaluation methodology. SLM are recommended for award on the basis of having submitted the most economically advantageous tender.
108. The cabinet's attention is drawn to the Public Sector Equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet is referred to the community impact statement at paragraph 68 setting out the consideration that has been given to equalities issues which must be considered by cabinet when agreeing this award.
109. Contract standing order 2.3 requires that no steps should be taken to award a contract unless the expenditure involved has been approved. Paragraphs 90-93 confirm the financial implications of this award.

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 - Procurement Strategy Approval Management of the Council's leisure facilities (Item 17)	Environment and Leisure 160 Tooley St. London SE1	Tara Quinn 0207 525 50875
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4868&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4868&amp;Ver=4</a>		

## APPENDICES

No	Title
None	

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Barrie Hargrove, Public Health, Parks and Leisure	
<b>Lead Officer</b>	Deborah Collins, Strategic Director, Environment and Leisure	
<b>Report Author</b>	Tara Quinn, Sports and Leisure Services Manager	
<b>Version</b>	Final	
<b>Dated</b>	29 January 2016	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Head of Customer Experience	Yes	Yes
Director of Public Health	Yes	Yes
Director of Law and Democracy	Yes	Yes
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	29 January 2016	