

Item No.	Classification: Open	Date: 03 May 2023	Meeting Name: Strategic Director of Environment, Neighbourhoods and Growth
Report title:		Gateway 2 - Contract Award Approval Leisure Insourcing Commercial Cleaning Services Contract.	
Ward(s) or groups affected:		All wards	
From:		Head of Leisure insourcing	

RECOMMENDATION(S)

1. That the Strategic Director of Environment, Neighbourhoods and Growth approves the award of the Commercial Cleaning Services contract, required for the eight insourced leisure facilities, to Constellia Public Limited, who will sub-contract services to Rapid Commercial Cleaning Services Limited, for a total contract value of £1,299,372 (i.e. £649,686 per annum) for a period of one year plus one year commencing 20 June 2023.

BACKGROUND INFORMATION

2. Following the decision to bring the leisure service back in-house in June 2023 at the expiry of the current contract with Sports and Leisure Management Limited (operating as Everyone Active), plans have been progressed to procure the services and contracts required to manage and operate the facilities when transferred.
3. The mobilisation of the plan to insource the leisure services is underway and one of the most important elements of that work is identifying a supplier to provide commercial cleaning services for the eight leisure centres post transfer.
4. The contract for consideration within this report – and the approach undertaken (and as approved at Gateway 1 stage) for direct appointment via the AEC Neutral Vendor Framework Agreement. The Framework Agreement is a compliant procurement route that allows us to replicate the current arrangements via a sub-contract Agreement between Constellia Public Limited, the sole supplier on the Framework (the Neutral Vendor), and Rapid Commercial Cleaning Services, the incumbent provider to Everyone Active, to enable continuity of service and minimum disruption.
5. In view of this, the recommended plan to achieve continuity of service and seamless transfer of services to council management and operation is to replicate the approach currently taken by Everyone Active and secure the services of a commercial cleaning services company to deliver the same level of service at transfer for a period of one year plus one year. During this

contract period, a further review of this arrangement will be completed, prior to the next procurement period. This review will include consideration of whether this contract might be suitable for in-house delivery after this next contract period.

Summary of the business cast/justification for the procurement

6. Southwark's leisure centres provide a much valued service for Southwark's residents with over 2.5 million visits per annum. It is essential, therefore, that this service is planned and delivered to the highest standards achievable, that the transfer from Everyone Active to the council is seamless, and that day-to-day service delivery after June 2023, is well delivered and consistent in terms of quality.
7. The approach taken by Everyone Active is a cleaning services contract with a commercial cleaning company covering all basic cleaning requirements, as well as specialist and high level cleaning services, across the eight leisure sites. The service will be controlled, monitored and reviewed through a detailed service specification and cleaning standards agreement. The cleaning contractor will provide all resources required to deliver the service including; staff, equipment, materials and consumables. This approach ensures consistent standards, work methods and outcomes across all facilities.
8. The council aims to achieve a seamless transfer in June 2023, and to have minimal impact on customers using the service and staff employed in the facilities. Replicating the current supplier arrangements will significantly assist with this continuity of service and will help minimise disruption.
9. The value of the contract is £649,686 per annum.

Market considerations

10. The market place for delivery of front line services at present is volatile. Many frontline service operations across the hospitality, retail and leisure sector are struggling to recruit and retain sufficient staff. The ability to continue with a tried and tested provider, that understands the requirements of the service, with staff already employed in roles will minimise risks associated with contracting with a new provider and help de-risk the insourcing process.
11. As part of the framework call-off process, officers from the council evaluated the supplier's response against pre-set quality questions and criteria, and negotiated with the supplier and their sub-contractor to arrive at the final contract price quoted. This provides assurance to the council that this approach represents value for money.

KEY ISSUES FOR CONSIDERATION

Procurement project plan (Key Decision)

12.

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	30/12/2022
Briefed relevant cabinet member (over £100k)	09/11/2022
Approval of Gateway 1: Procurement Strategy Report	09/01/2023
Invitation to tender	14/04/2023
Closing date for return of tender	25/04/2023
Completion of evaluation of tender	26/04/2023
DCRB Review Gateway 2:	18/05/2023
Notification of forthcoming decision – Five clear working days	19/05/2023
Approval of Gateway 2: Contract Award Report	30/05/2023
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	06/06/2023
Contract award	07/06/2023
Add to Contract Register	07/06/2023
Publication of award notice on Contracts Finder	07/06/2023
Contract start	20/06/2023
Contract completion date	19/06/2024
Contract completion date – if extension(s) exercised	19/06/2025

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

13. Direct appointment to Constellia Public Limited, who will sub-contract services to Rapid Commercial Cleaning Services Limited, via the AEC Neutral Vendor Framework Agreement.
14. Constellia were appointed as the sole supplier for the AEC Neutral Vendor Framework Agreement in January 2020 through a fully compliant OJEU process, and the council is eligible to use this Framework.
15. The rationale guiding this approach is to ensure the smooth and seamless transition from the current contract arrangements from Everyone Active to the

council in line with the overarching procurement strategy for the leisure insourcing contracts.

16. Officers from the council have evaluated the supplier's response against pre-set 60% quality questions and 40% price evaluation criteria issued with the council's specification, and the scores are shown in paragraph 23 below. Officers have also sought clarification and have negotiated with Constellia, and their sub-contractor Rapid Cleaning Services Limited on the final contract price quoted. This provides assurance to the council that this approach represents value for money.

Key decisions

17. This report deals with a key decision.

Policy implications

18. This procurement award has taken into account the council's [Fairer Future Procurement Framework](#), related procurement policies and [Contract Standing Orders](#).
19. The management of the leisure centres and delivery of excellent leisure services is directly linked to the council's commitment to a 'Fairer future for all', in particular: We want to break down barriers that prevent people from thriving in Southwark, so that whatever your background you can live a healthy life.
20. The Council Delivery Plan sets our priorities and commitments to the people of Southwark until 2026:
- Transforming our borough
 - A thriving and inclusive economy
 - A healthy environment
 - Quality, affordable homes
 - Keeping you safe
 - Investing in communities
 - Supporting families
21. Leisure centre provision contributes to the delivery of these commitments. In particular, the Delivery Plan states, 'We will keep more wealth in our community by ensuring the council and our partners buy local goods and services and bringing more services under council ownership and democratic control.' In addition, leisure centre provision is an important part of the Active Southwark strategy which was agreed by the cabinet in April 2019. A key theme being: Active Places – shaping our environment and facilities so that they encourage more people to be more active.

Tender process

22. Direct appointment to Constellia Public Limited, who will sub-contract services to Rapid Commercial Cleaning Services Limited, via the AEC Neutral Vendor Framework Agreement.

Tender evaluation

23. The evaluation criteria for the tender exercise was 60% quality and 40% price. The supplier’s proposal was assessed against the quality criteria, and the 0-5 scoring mechanism issued with the tender documents and the outcome of the quality assessment is shown below:

Quality Question	% Weighting	Score	Weighted Score
Delivery against the specification and Objectives of the Specification	30%	3	18%
Staffing	9%	4	7.2%
Quality control	9%	3	5.4%
Environment	6%	3	3.6%
Social Value	6%	3	3.6%
Total	60%		37.8%

Plans for the transition from the old to the new contract

24. The proposed contract is to be delivered by the incumbent supplier to Everybody Active, Rapid Commercial Cleaning Services Limited via a subcontract Agreement with Constellia Public Limited the sole supplier on the AEC Neutral Vendor Framework Agreement. The specification of services and the places of delivery are the same as the current operations. The transfer of the service to the council and the ongoing monitoring will be managed by the Leisure Operations Manager.

Plans for monitoring and management of the contract

25. The council’s contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.

26. Annual performance reports will be produced for the contract in line with Contract Standing Orders.

27. Identified risks for the new contract

Risk No	Risk Identified	Risk Level	Mitigation

1	Legal challenge to use of the framework	Low	Paragraph 14 confirms that the council as a local authority is permitted to use this framework for provision of this service.
2	Poor vendor selection	Low	Using the incumbent methods for delivering cleaning has mitigated this risk.
3	Implementation delays	High	The implementation timetable has been planned and can be delivered by June 2023.
4	Supplier's finances adversely affected and supplier going out of business.	Medium	Financial credit checks were carried out on 25/04/2023 and detailed financial assessments were carried out on 16/05/2023. The financial stability of Constellia and Rapid will be monitored throughout the contract through the contract management process.
5	Delays in procurement	Medium	Using the Framework has mitigated this risk.
6	Direct contract award does not achieve value for money	Medium	Experience of operating the service will enable a full review to be carried out within the 2-year contract period. The supplier's response has been assessed against quality criteria and achieved satisfactory scores.
7	The contract does not deliver against the operational specification	Low	The specification is the same as the current service. It will be managed and monitored by the Leisure operations team.

Community, equalities (including socio-economic) and health impacts

Community impact statement

28. This service will have limited impact on service users from the community as it is in line with the overarching objective of the leisure insourcing project of retaining its existing leisure offer on transfer of the services to the council, to ensure a successful transition/bedding in period.

Equalities (including socio-economic) impact statement

29. The [Public Sector Equality Duty](#) has been considered and no additional consultation is required.
30. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that all contractors and subcontractors engaged by the council to provide works or services within Southwark pay relevant staff at a minimum rate equivalent to the LLW rate.

Health impact statement

31. The long term objectives of insourcing the leisure services are directly linked to reducing health inequalities and improving the opportunities for residents to lead healthier lives through the development of a more resident focused service.
32. This service does not impact on the current service available to residents as they are the same services residents currently receive.

Climate change implications

33. The service provider will be required to provide acceptable and appropriate environmental policies, deliver on specific performance targets for increasing recycling, reducing waste and energy consumption and expected to implement energy management plans aimed at reducing carbon emissions in line with the council's own targets.
34. The insourced leisure service will ensure the service provider sets examples of good environmental impact management and deliver on the key objectives from the Climate Emergency Action plan approved by cabinet in July 2021.

Social Value considerations

35. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender were tackling economic inequality such as:
- Create employment and training opportunities;
 - Support education attainment relevant to the contract, including training schemes that address skills gaps and result in recognized qualifications.
36. Rapid Commercial Cleaning Services is an accredited Training Provider for the British Institute of Cleaning Science and provide in house training to their operational teams, wherever possible. Their aim is to ensure that all Contracts and Operational Managers partake in the recognised BICSc training on an ongoing basis. To address skills gaps, all staff undergo one to one training at the point of induction and on an ongoing basis. Rapid also offer colleagues an opportunity to enrol on a Level 2 Certificate in Cleaning Knowledge and Skills course with the Skills Network, through Rapid Clean. The opportunity is open to all staff and widely promoted across the business. At their head office, they have had great success with Apprenticeship

Schemes and now have colleagues excelling in their permanent roles in HR, Operations Admin and Accounts.

Economic considerations

37. The council has a preference for in-house services wherever possible and there is a desire to have direct responsibility over the management and operation of its leisure facilities and services. This will enable the leisure service to be fully responsive to council priorities and will provide opportunities to work closely with other key council departments to deliver strategic outcomes in a more innovative and joined up way – linking the provision of leisure services with other council and partner services. The ability to manage facilities and services that are not necessarily commercially attractive, but which may maximize opportunities for residents across the borough, was also a key consideration during the review of the leisure contract.
38. The council is an officially accredited London Living Wage (LLW) Employer committed to ensuring that, where appropriate, our contractors and subcontractors pay staff at a minimum rate equivalent to the LLW rate.
39. The contractor supports the council's approach to not utilizing zero hour contracts and has a commitment to employing full and part time staff. The supplier has also committed to pay a rate equivalent to the LLW rate, where appropriate.

Social considerations

40. Southwark Council's leisure offer is already pioneering, providing free swim and gym and adult swimming lessons to everyone who lives in the borough.
41. A clean and well presented leisure centre environment will encourage visitors to be more active, more often.

Staffing implications

42. There are no staff implications and TUPE does not apply.

Financial implications

43. The cost of this procurement can be met from existing budgets and the contract value including and excluding VAT is shown in the following table:

	Cost excluding VAT	Cost inclusive of VAT
Year 1	£649,686	£779,623
Year 2 (extension period)	£649,686	£779,623
Total cost	£1,299,372	£1,559,246

44. The 2023/24 leisure revenue budget is a total of £4.927m including a growth bid of £1.4m. Officers are currently reviewing and establishing the various expenditure and income budgets for operating the leisure management service which will need to be contained within the revenue budget.

45. The on-going annual cost of the contract (£649,686 p.a.) for the two year duration will be incorporated into the operational revenue budget for leisure management services. These costs will be monitored and reported as part of the departmental revenue budget monitoring process.

Investment implications

46. Not applicable

Legal implications

47. Please see concurrent from the Assistant Chief Executive Governance and Assurance.

Consultation

48. Officers consulted with other officers from appropriate departments on the cleaning requirements, and options to complete this tender exercise.

Other implications or issues

49. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance (ENG23/026)

50. This report is requesting Strategic Director of Environment, Neighbourhoods and Growth to approve the award of the Commercial Cleaning Services contract, required for the eight insourced leisure facilities, to Constellia Public Limited, who will sub-contract services to Rapid Commercial Cleaning Services Limited, for a total contract value of £1,299,372 (i.e. £649,686 per annum) for a period of one year plus one year commencing 20 June 2023.

51. The strategic director of finance notes that the cost of this procurement will be incorporated into the operational revenue budget of the leisure management service, as mentioned in the financial implications.

52. Staffing and any other costs to be contained within existing departmental revenue budgets.

Head of Procurement

53. This report seeks approval of the award of the Commercial Cleaning Services contract, required for the eight insourced leisure facilities, to Constellia Public Limited, who will sub-contract services to Rapid Commercial Cleaning Services Limited, for a total contract value of £1,299,372 (i.e. £649,686 per annum) for a period of one year plus one year commencing 20 June 2023.

54. The value of the proposed contract is above the minimum threshold for services as covered by the Public Contracts Regulations 2015 (PCR2015)

and the report provides detail of compliance with salient aspects, including intention to utilise a mechanism enabling direct award from an AEC Neutral Vendor framework (please refer to paragraph 4). Regulatory requirements for conclusion of, and entry into, framework agreements is covered by regulation 33 of PCR2015 and section 5 of the council's Contract Standing Orders (CSOs). The report is also aligned with the council's Contract Standing Orders (CSOs) vis a vis governance, which dictate that decision must be taken by the relevant chief officer, or under their delegated authority, in line with the department's scheme of management.

55. Headline options and risks associated are contained within table at the end of paragraph 27.
56. Alignment with the Fairer Future Procurement Framework (FFPF) is evidenced, specifically via reference to employment and training commitments, as detailed at paragraph 36, and payment of London Living Wage (LLW) as confirmed within paragraph 39.
57. Proposed methodology for performance/contract monitoring is detailed within paragraphs 25 - 26, namely through regular monitoring and review meetings. The report also confirms that an annual performance review will be provided to the relevant DCRB in alignment with council CSOs.
58. The Community, Equalities and Health Impact Statements are set out in paragraphs 28 – 32.
59. The Climate Change, Social Value, Economic and Environmental / Sustainability statements are set out in paragraphs 33 – 41.

Assistant Chief Executive – Governance and Assurance

60. This report seeks the approval of the Strategic Director of Environment, Neighbourhoods and Growth to the award of contract for the Commercial Cleaning Services (required for the eight insourced leisure facilities) to Constellia Public Limited via the AEC Neutral Vendor Framework Agreement, who will then sub-contract services to Rapid Commercial Cleaning Services Limited, as further detailed in paragraph 1. By virtue of Contract Standing Order (CSO) 6.5.2(f) this decision can be made by the relevant chief officer after consideration of the report by DCRB.
61. The value and nature of the services to be provided means that this procurement is subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR 15). As noted in paragraph 14, the AEC Neutral Vendor framework has been established through a PCR compliant tendering process and is established to allow local authorities to use for their own requirements. The tendering requirements of the PCR 15 are therefore satisfied. The council will enter into a contract with Constellia, who will then sub-contract these services to Rapid (as permitted under the framework arrangements), which will facilitate continuity of cleaning services when the leisure service is insourced.

62. The Strategic Director’s attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The Strategic Director is specifically referred to the community, equalities (including socio-economic) and health impacts at paragraphs 28-32 setting out the consideration that has been given to equalities issues which should be considered when approving this award.

63. CSO 2.3 requires that no steps are taken to award a contract unless the expenditure involved has been included in approved estimates, or is otherwise approved by the council. Paragraphs 43-45 confirm the financial implications of this award.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council’s Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report (and as otherwise recorded in Part B below).

Signature  Date: 30/05/23

Designation Strategic Director Environment and Leisure

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see ‘FOR DELEGATED DECISIONS’ section of the guidance).

1. DECISION(S)
As set out in the recommendations of the report.

2. REASONS FOR DECISION
As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

Not applicable.

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

I declare that I was informed of no conflicts of interests

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

I declare that I was informed of no conflicts of interests

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

7. CONSIDERATION GIVEN TO WHETHER, AS A NON-KEY DECISION, THIS SHOULD BE FORWARDED TO THE CONSTITUTIONAL TEAM FOR PUBLICATION IN ACCORDANCE WITH REGULATION 13(4)*

The decision taker should consider whether although a non-key decision, the decision is sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available. Where there is any doubt, having considered the importance and/or sensitivity of a decision, it should be deemed that Regulation 13(4) would apply.

I do not consider that the decision be made available for publication under Regulation 13(4).*

* Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the council is required to put in place a scheme for recording and publishing some officer executive decisions. This process is sometimes referred to as "Regulation 13(4)".

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Title of document(s)	Title of department / unit Address	Name Phone number
Gateway 1 – Procurement Strategy Approval – Leisure Insourcing Commercial Cleaning Services	Environment, Neighbourhood & Growth / Leisure Insourcing	David Pugh 07889303163
Link:		

APPENDICES

No	Title
Appendix 1	None

AUDIT TRAIL

Lead Officer	Toni Ainge, Director of Leisure	
Report Author	David Pugh, Head of Leisure Insourcing	
Version	Final	
Dated	3 May 2023	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (for housing contracts only)	No	No
Cabinet Member	Yes	Yes
Contract Review Boards		

Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	No	No
Cabinet	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team		Date/Month/Year 18/05/2023