


Executive Decision Report

Decision maker and date of Leadership Team meeting or (in the case of individual Lead Member decisions) the earliest date the decision will be taken	Leadership Team 9 January 2019 Forward Plan reference: 05347/19/E/AB Portfolio: Cllr David Lindsay, Lead Member for Healthy City Living	 <p>THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA</p>
Report title	LEISURE CONTRACT AWARD	
Reporting officer	Ullash Karia – Head of Leisure and Parks	
Key decision	Yes	
Access to information classification	PART A WITH CONFIDENTIAL PART APPENDICES Information relating to the financial or business affairs of any particular person (including the authority holding that information)	

1. EXECUTIVE SUMMARY

- 1.1. This report seeks permission to award a new contract for the management of the council's leisure and sports centre facilities. The current leisure contract expires at the end of March 2019. A new contract is therefore required to ensure the ongoing provision of this important service.
- 1.2. The leisure contract provides for the day to day management and operation of the borough's two leisure centres, Kensington Leisure Centre and Chelsea Sports Centre. It also delivers the activities of the council's sports development programme. The activities delivered through the contract make a positive contribution to a variety of Council and community outcomes. This includes children and young people's access via multiple school and community learn to swim programmes, classes for Secondary School pupils, and the provision of a venue for numerous junior community sports clubs supporting athletes as well as activities for older residents.
- 1.3. Officers have tested the market through competitive procedure and have secured an enhanced contract offer for the approval of the Leadership Team.
- 1.4. Final tenders were supported by fully priced technical submissions. Robust evaluation was undertaken by officers and an independent specialist leisure consultant, with 50% of the marks awarded for commercial and 50% for technical criteria. The details of the evaluation are in Part B of this report.

2. RECOMMENDATIONS

- 2.1. We recommend that the Leadership Team approve the award of this new contract to the winning tenderer, noted as supplier A in this report, and named in the confidential Part B report who scored best in the evaluation. This award will bring a substantial increase in income to the council over the initial 10-year duration of the contract with the option to extend for up to a further 5 years. Details of the financial elements and benefits are included in Part B of this report.

3. REASONS FOR DECISION

- 3.1. To comply with the requirements contained within Contract Standing Orders. A key decision is required for the award of contracts of this value.
- 3.2. The new contract will not only realise significant savings for the Council in the longer term, to ensure that current and future Medium Term Financial Planning commitments can be delivered, but also ensure that investment in wider sports development can be maintained.
- 3.3. As part of the process, a number of improvements have been secured which include:

- a) Substantial investment in improvements to both facilities and new equipment in both centres.
- b) Capital investment costs written down over the duration of the contract, for new and lifecycle replacements.
- c) Support for outreach and engagement for the Council's objective to improve health and wellbeing by increased physical activity
- d) Comprehensive sports development programmes covering a wide range of sports and activities, above and beyond key commercial areas
- e) Improved sport and physical activities and targeted Sports Club programme
- f) Exercise referral as part of the base specification for the service
- g) New financial support for targeted groups
- h) Improved marketing and communications activities
- i) Improved opportunities to promote local employment including new apprenticeships

3.4. The new contract will deliver a number of key improvements and will be a key driver in delivering the Council's Community Sport and Physical Activity Strategy. Some of these improvements are listed in confidential Part B of this report in section 5.

4. BACKGROUND

4.1. The existing leisure contract expires at the end of March 2019. It is held by Greenwich Leisure Limited (GLL) and covers the day to day management and operation of the borough's two leisure centres, Kensington Leisure Centre and Chelsea Sports Centre, as well as delivery of the council's sports development programme.

4.2. The current operator has demonstrated a model of operating a council leisure centre without the need for public subsidy. Overall, attendance numbers have increased steadily during the life of the contract and the net cost of providing the service to each resident has decreased as the current management fee paid to the Council by the contractor has increased.

4.3. Although the cost of maintaining and running swimming pools is a costly business, the operator is able to counter this and generate an overall profit through large income lines such as; fitness memberships, aerobics classes, swimming lessons, health suite, spa, sports hall bookings, birthday parties, and cafeteria.

4.4. Financial Performance. An assessment of the financial performance of the current contract and benefits of the new are contained in Part B of this report.

4.5. The leisure operator market is well developed and mature. There are a small number of well-established potential suppliers. Most are relatively large organisations with expansive national portfolios. During December 2017 officers undertook an extensive soft market testing exercise.

4.6. Some of the key findings from the market testing exercise were:

- 4.6.1. Contract Length – for traditional operational concession contracts such as this a contract length of 10 years with an option to extend for a further 5 years is widely accepted as suitable and attractive to bidders.
- 4.6.2. Packaging – The general view was that a single contract and fewer lots are simpler and more efficient to manage. A larger package also leads to a more joined up membership approach, sharing of good practice and experience, and access to a wider range of facilities for customers.
- 4.6.3. Pricing – The overall total price for the contract should be broken down into prices for each individual facility. An open book arrangement can work in favour of both parties.
- 4.6.4. Social Value – Due to the nature of the business the management of the centres in our portfolio will provide for hundreds of jobs locally. Additionally, a larger contract package means greater flexibility and employment development / career opportunities for staff as there is a larger organisational structure in place.
- 4.6.5. Mobilisation and TUPE – Ideally the mobilisation period of 2-3 months would be allowed. If the information provided for handover, particularly condition surveys, membership information, and TUPE information is correct and comprehensive then this process can be accelerated.

5. PROPOSAL AND ISSUES

- 5.1. The council is committed to making our leisure facilities and spaces better for everyone. We want to empower local communities to achieve better quality of life. Our aim is to increase participation in leisure and sporting activities to improve health and social wellbeing through the promotion, provision and delivery of quality facilities and services.
- 5.2. Provision of quality leisure and fitness facilities at affordable prices is key to encouraging people to lead an active lifestyle, which in turn contributes to improved health and happiness. Throughout the life of the new contract the council will ensure local economic and community benefits are maximised. There is much more to your local leisure centre than a swim or a session in the gym and sport can have a positive influence in our community. Our ambition is to work in partnership with our preferred leisure operator to set the benchmark for sporting and social inclusion and we aim to do this through:
 - a. Providing a wide range of sporting opportunities for local communities by delivering inspirational programmes, campaigns and events, in all of our facilities
 - b. Creating a healthier, more active community working with our partners to develop programmes for health, crime diversion, children and young people

- c. Improving services for those with disabilities by promoting inclusive fitness and sporting opportunities.
 - d. Increased inclusive and accessible programmes designed to accommodate both diverse and disadvantaged groups in our local community.
 - e. Extending opportunities for families to be active together across the community.
 - f. Reducing the barriers that lead to inactivity and social isolation.
 - g. Continued investment in our facilities to keep them modern and relevant for in a changing environment.
 - h. Recruiting local people for local jobs and being an employer of choice.
 - i. Developing people to ensure career development through the organisation.
- 5.3. We propose entering into a single sovereign contract to commence on 1 April 2019. This contract will provide for the management of Kensington Leisure Centre and Chelsea Sports Centre, and will continue to incorporate the borough's Sports Development activities. In line with established best practice and the results of the soft market testing exercise, the new arrangements are a 10-year contract with the option to extend for up to a further 5 years. Suitable break and change clauses will be considered for inclusion.
- 5.4. The Sport England standard form of contract will be used as this is widely recognised and approved throughout the market and makes clear provision for any required change and break clauses.
- 5.5. The services specification sets out the performance standards that the contractor shall meet in the delivery of the services during the contract period. It details the requirements that the contractor shall meet for the ongoing operation of the Facilities, associated buildings, grounds, pitches, courts and any other leisure amenities as specified within the schedule throughout the contract period. **A copy of the new specification, a very large document, is available upon request.**
- 5.6. The Competitive Procedure with Negotiation (CPN) is the most appropriate procurement procedure and the standard approach for this type of contract in the Leisure market. The salient features are:
- The procurement is complex and requires negotiation – justifying the use of CPN
 - We can specify to a very large extent what we want the contractor to do and the price mechanism

- The procedure permits the use of suitability selection criteria so weak bidders can be excluded at any early stage
- Initial tenders form the basis of negotiations to improve the offer
- By applying the award criteria, we can reduce the number of offers
- When we feel it appropriate, we call for final tenders which will be the ones upon which the award decision is made.

5.7. **Tender Evaluation.** The award of the Contract was based upon the most economically advantageous tender evaluated using the methodology below:

5.8. Following the initial qualification stage, the high level evaluation criteria weightings for the Initial Tender stage and Final Tender stage are detailed within table one below.

TABLE ONE		
Evaluation Criteria - Level 1 Criteria	Initial Tender Evaluation Criteria Weighting	Final Tender Evaluation Criteria Weighting
Commercial	50%	50%
Quality	50%	50%
Total	100%	100%

The detailed evaluation criteria for the final stages are set out below.

5.9. **QUALITY (50% of overall score).** Quality scores were assessed on the basis of a Tenderer's written submissions to the award criteria set out below in Table Two.

Criteria heading	Quality Sub-Criteria Ref No.	Sub Weighting
Commercial Theme	1 – Innovation and Investment (30%)	20%
		10%
	2. Vision and Strategy (10%)	5%
		5%
Technical Theme	3 – Community Development (15%)	5%
		5%
		5%
	4 – Pricing Policy (10%)	10%
	5 – Continuous Improvement (10%)	3%
		4%
		3%
	6 –Service Quality (10%)	2.5%
2.5%		

Criteria heading	Quality Sub-Criteria Ref No.	Sub Weighting
		5%
	7 –Marketing and Promotion (5%)	3%
		2%
	8 – Environmental Improvement (5%)	2.5%
		2.5%
	9 – Contract Mobilisation (5%)	5%

5.10. PRICE (50% of overall score). The overall pricing score was further broken down into the following sub-criteria:

TABLE THREE	
Commercial (50% of overall score)	Weighting
Payment including benefit of capital investment	60%
Viability of the Business Plan	10%
Added value investment proposals	10%
Other legal and commercial proposals	10%
Profit/surplus share proposals	10%
Total	100%

5.11. Evaluation Summary

The tender assessment panel carried out independently an assessment of the quality and price scoring. Combining the two independent assessments provides the following results and highest scoring contractor for each tender. Details of the three tender stages are included below;

Invitation to submit initial tender (ISIT)

Tenderer	Quality Score	Price Score	Overall Score
Supplier A	40.80	45.00	85.80

Supplier B	36.95	34.10	71.05
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Invitation to submit final tender (ISFT)

Tenderer	Quality Score	Price Score	Overall Score
Supplier A	43.80	41.59	85.39
Supplier B	36.95	43.00	79.95

- 5.12. **Evaluation Details.** A full detailed assessment and evaluation report of the tender returns is included in a confidential appendix to this document.
- 5.13. **Contract Management.** Following the award of the contract the Leisure Services Management team will manage the contract. The team will monitor the contract performance against set KPIs in accordance with the requirements set out in the new contract.
- 5.14. **Monitoring and Reporting.** The contractor will report on its performance in the delivery of the services in accordance with the specification and against the performance standards. In addition, the Council will undertake its own performance monitoring of the services to ensure compliance in accordance with this contract.
- 5.15. **Tender Evaluation.** Due to commercial sensitivity, a full evaluation of received tenders, including technical and commercial elements can be found in Part B of this report.

6. OPTIONS AND ANALYSIS

- 6.1. **Option 1 - Do nothing.** The council could in theory opt to let the contracts expire and close the council run public facilities.
- *Advantages.* Some marginal internal savings of contract manager and maintenance costs.
 - *Disadvantages.* There would be a significant loss to the council’s leisure and fitness with a detrimental impact on users and residents. There would also be human resource issues to resolve including redundancy costs.
 - *Recommendation.* Officers do not recommend this option.
- 6.2. **Option 2 - Manage the facilities in-house.** The council could opt to bring the management of the facilities in-house and run the centres without a contracted external operator.
- *Advantages.* Full internal control of the service operations.
 - *Disadvantages.* The council does not currently retain the management expertise required for running such facilities internally so a new management team would need to be employed. The operational staff would also need to

employed by the council via TUPE arrangements. This option would certainly increase the cost of running the centres for the council as we would miss out on the management and supply chain economies of scale delivered by contracting an established provider with a large portfolio, it would also mean that that risk and liability of centre operations sit with the council.

- *Recommendation.* Officers do not recommend this option.

6.3. **Option 3 – Enter into a new management contract.** Approach the market to tender for a new centre management contract

- *Advantages.* This will allow the council to manage the majority of the portfolio under a single contract. This is the simplest, most efficient, and most effective option. It minimises the workload for the contract management team as there is one point of contact and shared messages and practices through the contract. It also maximises the specialist expertise, resource, and supply chain efficiency gained.
- *Disadvantages.* None that can be identified.
- *Recommendation.* **This is our recommended option.**

7. CONSULTATION AND COMMUNITY ENGAGEMENT

7.1. There are a range of stakeholders involved in the commissioning of leisure management services. Stakeholder engagement with key market suppliers was undertaken through a soft market testing exercise in December 2017. The feedback gained from the stakeholder engagement event will ensure that the new service specification meets the needs of service users to a greater degree than at present.

7.2. RBKC CSPAN is a strategic partnership committed to the development and improvement of sport and physical activity borough wide. CSPAN is one of 33 Community Sport and Physical Activity Networks in London. We will continue to engage with the RBKC CSPAN group through the normal quarterly meetings.

7.3. Public Realm Scrutiny Committee (PRSC) provided feedback on the Community Sport and Physical Strategy, promoting enhanced leisure opportunities and community engagement through the procurement process of a new leisure contract. The new contract and specification provides this.

7.4. Internal Stakeholder engagement has taken place throughout the procurement process with the procurement, legal, and finance departments represented on the project board. This arrangement will continue until the new contract has been awarded.

7.5. Going forward there will also be bi-annual customer surveys with resulting action plans and the opportunity for these to be reviewed at Public Realm Scrutiny Committee.

8. HUMAN RESOURCES AND EQUALITIES IMPLICATIONS

- 8.1. The Council has had due regard to its Public Sector Equality Duty contained in Section 149 of the Equality Act 2010.
- 8.2. It is anticipated that there will be significant positive impacts on protected groups as a result of the new contract. The RBKC Community Sport and Physical Activity Strategy 2018-2023 (available online) provides detailed information and sets out how the borough engages with residents and approaches inequalities in leisure activities.
- 8.3. It is envisaged that the new contract together with the existing sports strategy will create more physically active communities by developing a broad range of opportunities that reflect the interests and needs of residents and positively contribute to health, community cohesion and personal improvement.
- 8.4. The existing service already supports equality through both the council's Sports Development programme and the activities of the individual centres, and will continue to do so throughout the new contract.

9. LEGAL IMPLICATIONS

- 9.1. The Council has power under the Local Government (Miscellaneous Provisions) Act 1976 to provide such recreational facilities as it thinks fit including the provision of buildings, equipment, supplies and assistance of any kind. The Council may make such facilities available either without charge or on payment of such charges as it thinks fit.
- 9.2. The recommended contract is based substantially on Sport England's draft Leisure Operators Contract specifically designed to be used with local authority leisure facilities and published in 2016 following consultation with local authorities and operators in the leisure industry. The contract has the benefit of being familiar to external providers, including the successful tenderer. The contract is comprehensive in the range of relevant issues provided for and represents a balanced approach to management of the facilities.

Implications completed by: Andre Jaskowiak, Senior Solicitor, Shared Legal Services, tel. 020 7361 2756.

10. FINANCIAL, PROPERTY AND ANY OTHER RESOURCES IMPLICATIONS

- 10.1 Financial implications including details of anticipated income are set out in Part B of this report.
 - 10.1. There are no other resource implications, other than business as usual
- 10.2. Implications verified/completed by: Prakash Patel, Special Projects Manager,

Environment and Communities Finance, tele 0207 341 5576

Mahmood Siddiqi
Bi-Borough Director, Transport, Highways Parks & Leisure

Local Government Act 1972 (as amended) – Background papers used in the preparation of this report

[Note: Please list only those that are not already in the public domain, i.e. you do not need to include Government publications, previous public reports etc.]

Contact officer(s): Jeremy Plester, Interim Head of Greener Living.
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Formal clearance requirements for all key decision reports [insert]

Cleared by Finance (officer's initials) [PP]

Cleared by Corporate Finance (officer's initials) [TE]

Cleared by Director of Legal Services (officer's initials) [AJ]

Cleared by Communications & Community Engagement (officer's initials) [NT]