

Children, Sports & Leisure Policy and Scrutiny Committee

Date:	9 th February 2015
Classification:	General Release
Title:	Strategy for the new Leisure Facilities Management Contract
Report of:	Director of Sport, Leisure & Wellbeing
Cabinet Member Portfolio	Sports, Leisure & Open Spaces
Wards Involved:	All
Policy Context:	Better City Better Lives priority to promote a Healthier Westminster
Report Author and Contact Details:	Richard Barker x2693 rbarker@westminster.gov.uk

1. Executive Summary

- 1.1 This report seeks to provide a summary of the planned strategy relating to the re-procurement of the Council's sports and leisure facilities contract.
- 1.2 The leisure management market is relatively mature and competitive and potential bidders have expressed significant interest in the opportunity to manage the Council's sports facilities.
- 1.3 Overall the contract is performing well and key performance indicators are positive. The contract generates a net financial surplus to the Council each year which provides funding for wider sports development activities.
- 1.4 The facilities generate gross income of approximately £12.5m per annum and the contract represents a significant opportunity for the market which should be to the benefit of the Council.
- 1.5 The planned procurement strategy has been approved by the Cabinet Member and the Council's 'Gate' Procurement Board and procurement activities will commence in February 2015.

2. **Key Matters for the Committee's Consideration**

2.1 Members of the Committee are invited to review the report and:

- Consider the overall performance of the leisure facilities contract and provide input to help shape the future specification and required outcomes for the new contract.
- Reflect on the proposed procurement strategy and provide comments regarding the planned approach to help ensure the new contract delivers excellent outcomes for Westminster residents and visitors.

2.2 Input from Committee Members will form the basis of recommendations that will help to shape the development and implementation of the procurement strategy going forward.

3. **Background**

Policy context

3.1 The activities within the sports and leisure management contract make a positive contribution to a variety of Council and partner outcomes, including 'Better City, Better Lives' as summarised below:

- **A safer, healthier city.** Positive contributions through the leisure management contract include the successful delivery of capital improvements to the facilities, the development and delivery of a wide variety of activity programmes within the centres, the delivery of the free to access 'Neighbourhood Sports Clubs' programme on City Estates and support for schools, community clubs and talented athletes.
- **A more enterprising city.** The leisure management contract provides around 300 employment opportunities from casual coaching to senior managerial roles. The contract also includes a number of apprenticeship and work experience opportunities and promotes a variety of opportunities for schools, colleges and community organisations.
- **A more connected City.** Positive contributions include the successful delivery of the ActiveWestminster Mark programme to develop quality assured and sustainable community sports clubs, providing opportunities for the Council's volunteering programme and actively supporting the cross sector ActiveWestminster Partnership.

3.2 The outputs from the leisure management contract also closely align with a number of indicators within the Public Health Outcomes Framework, particularly 'Utilisation of green space for exercise/health reasons' and the 'Proportion of physically active and inactive adults' indicators. The deliverables also make a positive contribution to a wider range of other Public Health outcomes which include:

- Child development at 2-2.5 years
- Excess weight in 4-5 and 10-11 year olds

- Excess weight in adults
- Self-reported well-being
- Falls and injuries in the over 65s
- Mortality from causes considered preventable
- Mortality from all cardiovascular diseases and cancer
- Health-related quality of life for older people

3.3 The leisure centres contract also facilitates the delivery of a number of wider Council priorities including the volunteering strategy, the engagement of the voluntary sector (refer to **Appendix 2** for a list of community organisations actively using the Council's facilities) and education through the positive engagement of schools (refer to **Appendix 1** for a list of schools currently actively utilising the facilities for coaching and PE & School Sport).

Sports and Leisure Facilities- an overview

3.4 The Council owns 8 leisure facilities which are managed by Greenwich Leisure Limited (GLL) under three separate contracts. The first contract was awarded in 1999 and all contracts are due to expire in June 2016.

3.5 An 'output' specification forms a core part of the contract for all centres and details the required performance standards that the contractor needs to achieve which aligns with industry best practice.

3.6 The contractor is responsible for all areas of operations and the Council retains responsibility for setting fees and charges, service strategy and capital investment in the fabric and structure of the buildings. The contractor retains the income generated from the facilities and is responsible for all operational costs and therefore takes all operational and financial risk. This model of delivery is well evolved in the leisure management market place and there are a number of established providers. A high level summary of responsibilities is provided in the table below.

Leisure Management Contract- roles and responsibilities	
WCC	Contract
<ul style="list-style-type: none"> • Setting of policy and strategy • Setting of 'ceiling' fees and charges for all activities • Core 'landlord' responsibilities including the maintenance of the structure and external fabric of the buildings • Capital investment to improve the leisure facilities • Monitoring the contractors performance 	<ul style="list-style-type: none"> • All areas of operational management • Marketing and sales and generation and retention of income • Maintenance and redecoration including the replacement of equipment • Employment of staff • All operational expenditure including capital equipment replacement • Payment of VAT and National Non Domestic Rates (NNDR)

- 3.7 The division of responsibilities helps to re-risk the contract for the Council (i.e. as the contractor is responsible for all areas of operation and financial performance) and also to ensure activities are aligned with Council policy and that access to the facilities, particularly for residents and priority groups is promoted (i.e. residents, schools and community clubs benefit from significant discounts including free swimming for concessionary groups).
- 3.8 Unlike the vast majority of other local authority leisure management contracts, Westminster's contract generates a net financial surplus each year. The contracts largely consist of an annual fixed fee payment to the Council which was agreed for each facility at the outset of the contract. The fixed fee is index linked (i.e. aligned with the Retail Price Index- RPI) and increases each year in accordance with RPI. Fees and charges to customers can also be increased each year in accordance with RPI at the request of the contractor. There are also 'over-performance' thresholds within the contract which ensures the financial benefit arising from any additional net surplus (i.e. net income after expenditure) is shared if performance exceeds the agreed level. The financial performance is monitored through an 'open book' accounting arrangement and to date, over-performance thresholds have only 'triggered' for Marshall Street Leisure Centre.
- 3.9 The table below provides a summary of the 'net cost per head of population for sports and recreation facilities' for Westminster. The financial performance across the Council's sports and leisure facilities has improved considerably as a result of outsourcing the remaining 'in house managed' facilities and through a number of capital investments, most notably the redevelopment of Marshall Street Leisure Centre. The table below summarises the improved performance and in 2014/15, the indoor facilities (i.e. excluding Paddington Recreation Ground) will generate a net income to the Council of nearly £1m.

Year	Total net income (£)	Net Expenditure per Head of Population for Sports Facilities (£)
2011/12	-303,884	(1.38)
2012/13	-618,961	(2.76)
2013/14	-854,240	(3.81)
2014/15	-962,739	(4.30)

- 3.10 The opportunity to manage the Council's facilities is particularly attractive for the leisure management market and as well as having the prestige of managing facilities in the heart of the capital, the contract presents an attractive commercial opportunity with annual revenue turnover across all facilities exceeding £12m in 2014/15. This compares well to other local authority sports facility contracts as illustrated in **Figure 1** which summarises the financial performance of a number of other local authority contracts currently operated by the Council's incumbent provider (GLL).

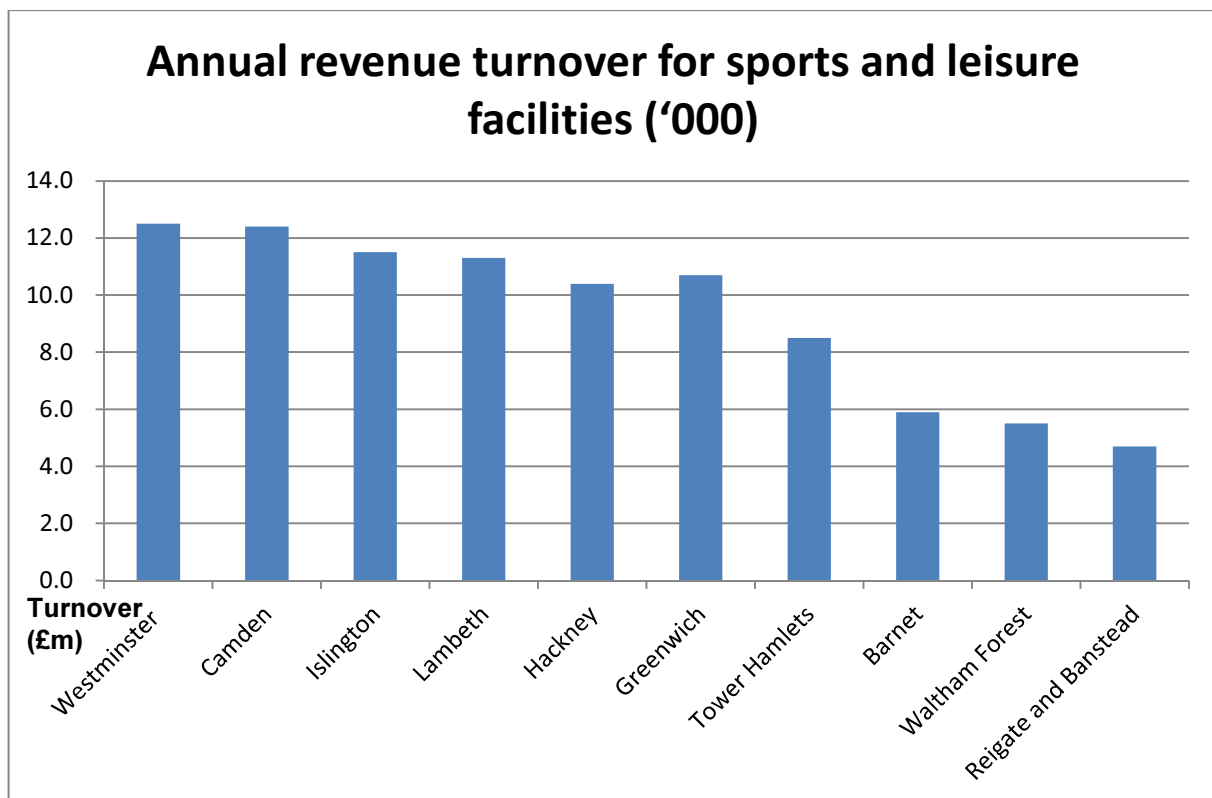


Figure 1

3.11 The Council's plans to further invest in the facilities portfolio, particularly through the redevelopment of Moberly and Jubilee Sports Centres, will provide further opportunities to increase income.

Current performance

3.12 The current portfolio of facilities attracts in excess of 3.5 million visits per annum with over 16,000 pre-paid members. The overall contract is performing well and the financial model promotes service quality (as the contractor is incentivised to generate income and usage) and minimises risk to the Council.

3.13 A summary of key performance indicators for the previous three years is provided in the table below which highlights the positive performance across the contract.

Summary Key Performance Indicators	2012-13	2013-14	2014-15 (Forecast)	% variation between 14/15 and 12/13
Total income (£)	10,043,477	11,243,022	12,500,000	24.5%
Total recorded usage for activities	1,948,646	2,201,954	2,311,263	18.6%
Swimming lessons- total sessions	89,251	116,834	145,000	62.5%
Total pre-paid members	14,324	16,121	16,247	13.4%
ActiveWestminster Passport	2,267	2,743	2,753	21.4%
Concession card holders	N/A	4,360	4,346	N/A

3.14 Performance across the facilities has improved throughout the contract term as a result of both organic growth, capital investments and an increase in the facilities portfolio itself (i.e. the inclusion of Marshall Street, Moberly and Little Venice Sports Centres). This is illustrated in **Figure 2** below which shows the reported income and usage across the facilities since 2008.

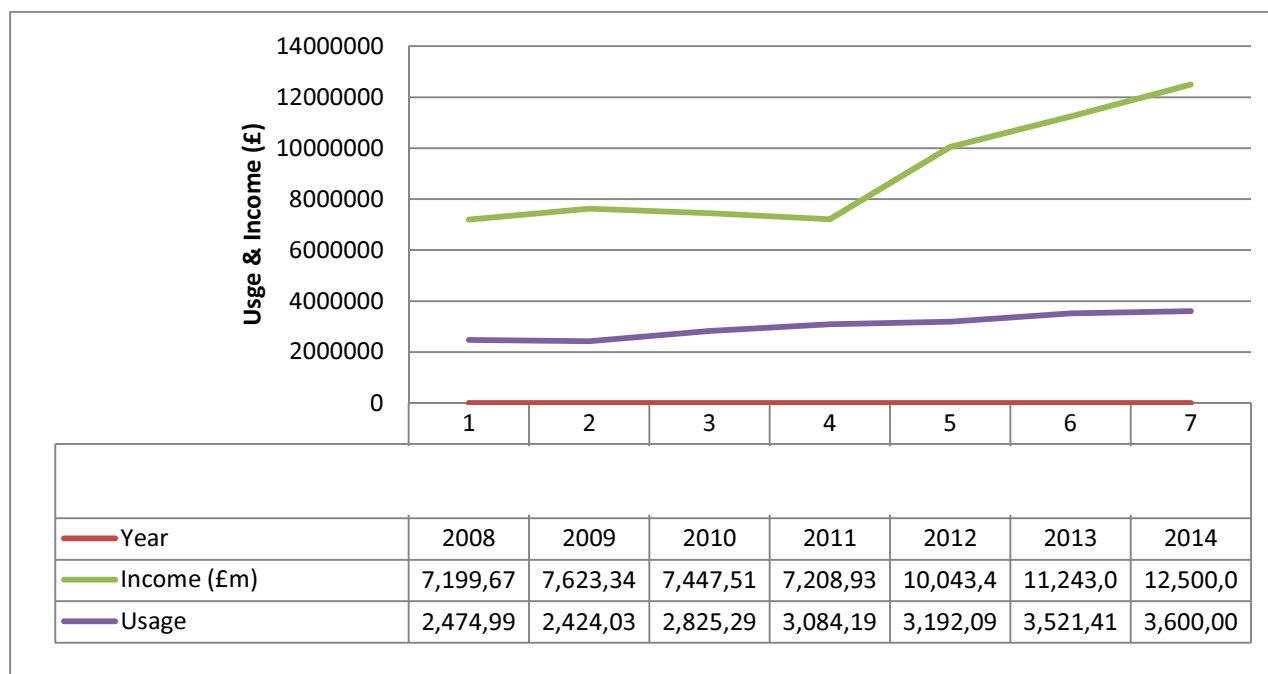


Figure 2- reported income and usage

Figure 2 Notes:

- Marshall Street Leisure Centre opened in July 2010
- The arrangements for VAT on income changed in 2011 following the novation of the contractor to GLL (a charitable social enterprise)
- The management of Moberly and Little Venice Sports Centres transferred to the incumbent contractor in April 2012

3.15 In addition to the positive quantitative performance indicators, the quality of delivery has also improved. Customer satisfaction levels remain high and the incumbant contractor has achieved the national ‘Sport England QUEST’ quality accreditation for each site, the ‘Inclusive Fitness Initiative’ accreditation (which recognises facilities that promote a high level of accessibilty for people with disaibilities) and the ‘Green Flag’ award at Paddington Recreation Ground.

3.16 As part of the contractual requirements, the contractor is obliged to promote access to facilities for schools and community clubs which are provided at discounted rates for those based in Westminster. The use of facilities by schools for PE and School Sport and swimming lessons is very high and 110 schools, colleges and nurseries are currently making active use of the facilities. This information helps to inform how wider PE and School Sport initiatives are deployed by the Council’s Sports Unit team. Use of the facilities by community sports clubs is equally strong and 95 clubs are currently using the facilities on a regular basis. A list of clubs, schools and nurseries currently making active use of the facilities is provided as **Appendix 1** and **Appendix 2**.

3.17 A number of specific service improvements have been realised during the current contract term including the introduction of on line bookings with fast track entry, a variety of activity programming developments including a GP exercise referral programme, an expanded programme of estate based activities for children and young people, greater support for talented athletes and clubs and a number of new concessionary memberships to promote access for priority groups. A variety of environmental improvements have also been realised to reduce energy use and increase sustainability.

Scope of the new contract and service requirements

3.18 The new contract will include the management of the Council's entire sports and leisure centre portfolio which includes the following sites:

- Paddington Recreation Ground
- Queen Mother Sports Centre
- Marshall Street Leisure Centre
- Seymour Leisure Centre
- The Porchester Centre, Spa and Hall
- Little Venice Sports Centre
- The new Moberly Sports Centre (a £20m new facility due to open in 2017)
- The new Jubilee Sports Centre (a £2m community sports centre due to open in 2019)

3.19 A very detailed output specification will identify the precise requirements for the contractor and the table overleaf highlights some of the key requirements sought as part of the procurement.

Area	Broad requirement	Existing or New Requirement?
Cost	<ul style="list-style-type: none"> • Promote an improved contract fee to the Council by driving greater levels of income (potentially through capital investment) and reducing operational expenditure. 	New
Service Quality & Engagement	<ul style="list-style-type: none"> • Ensure the quality of services remains consistently high as a minimum. • Ensure that the contract positively contributes to the delivery of Council's ActiveWestminster and Public Health outcomes in particular. • Broaden the accessibility of services where at all possible to promote inclusivity including the development of new activity programmes. This specifically includes promoting access to facilities for schools, community clubs, residents (particularly concessionary groups including children and young people, older people, people with limiting disabilities and people on low income). 	Existing New Existing

Area	Broad requirement	Existing or New Requirement?
	<ul style="list-style-type: none"> Demonstrate a high level of service quality through the delivery of industry standards (the Sport England specification will be used as a base position) and the achievement of key accreditations particularly Sport England QUEST and Green Flag. Assurance of supply- for example there may be a need to amend opening times to meet current and future customer demand. 	New
Innovation	<ul style="list-style-type: none"> Work with health agencies to deliver the Public Health priorities and use fitness and exercise through a preventative approach. Improve the customer experience through innovative activity programmes and services and promote customer contacts on-line to reduce avoidable costs. 	Existing New

Supplier engagement

3.20 To inform the development of the procurement strategy, a supplier engagement day was held in October 2014. Six suppliers, including all the major contractors and all those currently operating leisure management contracts for London Local Authorities, attended the event.

3.21 A number of 'key lines of enquiry' were explored during the event and feedback was captured through a formal questionnaire. All potential bidders provided responses and key issues identified included consideration to the future delivery of capital works within the centres, the model of management for grounds maintenance activities and the contractual mechanism for managing any major redevelopments of centres within the specified contract term. The summarised responses from potential bidders are provided in the table below.

Area	Response from Suppliers	Existing or New Arrangement
Procurement strategy	5 suppliers indicated a preference for a managed partial competitive dialogue (to cover matters such as capital investment and outreach requirements).	New
Tri-borough	Suppliers felt the Council's portfolio offers sufficient scale in terms of turnover and that a Tri-Borough approach would not offer significant opportunities for economies of scale.	Existing
Contract duration	The general consensus was a 10 year duration with 5 year extension was appropriate and that the contract length was largely determined by the level of any required capital investment. This was confirmed through London benchmarking.	Existing (the current contract is a 15 year term).

Area	Response from Suppliers	Existing or New Arrangement
Price / Quality evaluation	Suppliers advised that 50/50 or 60/40 is the standard evaluation ratio in their experience.	New (the proposed approach is 60/40)
Model specification and Sport England model documents	The message from suppliers was that the model documentation was very appropriate and would only need to be adjusted slightly to reflect local circumstances and requirements.	New
Grounds Maintenance Arrangements at Paddington Recreation Ground	The suppliers stated a preference for having responsibility for this duty to ensure efficient and robust operational management arrangements.	Existing (the current grounds maintenance contractor is a sub-contractor to GLL).
Sports Development Models	The proposed ActiveCommunities model was welcomed by contractors and suppliers felt they could positively align with this model.	New
Innovation and technology	Suppliers provided ideas around opening hours and flexibilities for fees and charges. Suppliers identified a number of areas that will benefit from technological advances under the new contract including bookings, classes and performance monitoring.	New

Procurement Objectives and the Planned Strategy

3.22 The objectives relating to the planned procurement are:

- To rationalise the current contractual situation into one contract to manage all eight centres (at present the facilities are managed through three separate contractors, albeit all delivered by the same contractor)
- To increase income delivered by the contract and net income to the Council
- To ensure the level of service quality is maintained as a minimum
- To ensure the breadth and accessibility of services within the contract are maximised and to promote 'ActiveWestminster' and Public Health outcomes in particular.

3.23 The planned procurement strategy is to implement a competitive dialogue procurement process in compliance with EU procurement directives to create a 10 year contract with an option to extend for up to a further 5 years.

3.24 The evaluation criteria (60/40) is summarised in the table below.

Criteria	Weighting
Commercial Evaluation Criteria (financial) <ul style="list-style-type: none"> • Management fee to the Council • Surplus share • Capital proposals • Viability of commercial proposition and business plan 	60%
Technical Evaluation Criteria (quality) <ul style="list-style-type: none"> • Service delivery (including maintenance, cleaning, staffing & marketing) • Support strategies to promote health improvements & participation (e.g. sports development models) • Capital improvements (to increase participation) • Innovative approaches to service delivery (e.g. utilisation of IT and social media) • Environmental sustainability & social value 	40%

3.25 The key milestones relating to the procurement are as follows:

- The procurement strategy will commence with the issuing of a Pre-Qualification Questionnaire (PQQ) which will have a strong focus on the experience of service delivery in comparable densely-populated, urban environments.
- Up to 5 bidders will be invited to submit detailed solutions which will be evaluated.
- Up to 3 bidders with the highest scoring solutions will be invited to dialogue sessions. It is envisioned that the dialogue sessions will last two weeks and will have a very specific focus. Topics which are likely to be covered through the dialogue process include:
 - Capital improvements (to promote service outcomes)
 - Investment, driving income & profit share proposals
 - Sports development models
- The bidders will then be invited to submit final solutions which will be assessed and the contract will then be awarded.

3.26 This strategy was approved at a meeting of the Council's Gate Procurement Board in December 2014.

3.27 The timescales for the planned procurement are outlined in the table below.

Procurement activity	Date
Supply market assessment & engagement	November 2014

Procurement activity	Date
Recommend sourcing strategy for endorsement	December 2014
Implement agreed sourcing strategy	January 2015 – April 2016
Contract implementation	May 2016
Contract commencement	1 st July 2016

3.28 Mobilisation of the new contract will be very carefully managed and the existing contractual arrangements include requirements around data sharing (eg membership databases, TUPE information for transferring staff etc) in the event that the contract is awarded to a new supplier, in order to facilitate a smooth transfer.

4. Health and Wellbeing Implications

4.1 As noted, the proposed procurement strategy and specification for the new contract will seek to make a positive contribution to health and wellbeing, particularly ActiveWestminster and Public Health outcomes.

5. Financial Implications

5.1 The costs associated with the procurement exercise including external consultation costs are currently forecast at approximately £60k and will be contained within the approved sports and leisure revenue budget.

5.2 It is anticipated that the procurement exercise will lead to a further increase in throughput and membership which would result in an improvement in net income to the Council.

6. Risks and Mitigations

6.1 Risks relating to the procurement will be identified and managed formally through planned project meetings and a specific risk assessment which will be regularly reviewed.

Appendices

Appendix 1 List of nurseries, schools & colleges currently making active use of the Council's sports and leisure facilities

Appendix 2 List of community clubs currently making active use of the Council's sports and leisure facilities

If you have any queries about this Report or wish to inspect any of the
Background Papers please contact Richard Barker x2693
rbarker@westminster.gov.uk

BACKGROUND PAPERS

None

Appendix 1

List of nurseries, schools & colleges currently making active use of the Council's sports and leisure facilities

Acorn Nursery School
Albemarle Independent College
All Souls School
American School In London
Ark Atwood Primary Academy School
Arnold House School
Ashbourne College
Barlby Primary School
Bevington Primary School
Burdett Coutts Primary School
Cardinal Vaughan Middle School
Carlton Vale Primary School
Chepstow House School
Christ Church Bentinck Primary
Churchill Garden School
City of Westminster College
College Park
Colville Primary School
Connaught House School
David & Laing College
DLD college
Eaton Square School
Edward Wilson Primary School
Essendine Primary School
Fairley House School
Francis Holland School
Garden House School
Gateway Primary
George Elliot Primary School
Great Beginning Nursery
Grey Coats Hospital School
Hallfield Primary School
Hampden & Gurney Primary
Hill House International School
Instituto Espanol Vicente
International Community School
Kensal Rise School/Ark Franklin Academy
Kilburn Park School
King Solomon Academy
Knightsbridge School
L'Ecole Bilingue

London Business School
London School of Economics
London Southbank School
Mander Portman Woodward
Marylebone Boys' School
Middle Row School
Mill Bank School
Our Lady of Dolours School
Paddington Academy
Paddington Green Primary
Paddington Green Primary School
Pembridge Hall School
Pimlico Academy
Portland Place Street
Primary Schools Sports Association
Queens College Primary School
Queens Elizabeth II Primary School
Quintin Kynaston Academy
Regents College
Russian Embassy School
Skola International Community School
Southbank International School
St Augustine's Primary School
St Augustine's High School
St Barnabas School
St Charles Primary School
St Gabriel's School
St Georges RC School
St James' & St. Michael's CE Primary School
St Johns Wood School
St Joseph's School
St Jude's School
St Luke's Primary
St Mary Abbotts School
St Mary Magdalene
St Mary of the Angel Primary School
St Mary's School Hampstead
St Marys Bryanston Primary
St Matthew's CE Primary School
St Peter's Eaton Sq School
St Saviours
St Stephens CE Primary School
St Vincent De Paul School
St James and St Michaels School
St. Vincent's Catholic Primary School

St. Thomas School
Sylvia Young Theatre School
Tabernacle School
The American School
Thomas Day Kensington
Thomas Jones School
UCL
University of Westminster Student Union
Westminster Abbey Choir School
Westminster Cathedral Choir School
Westminster City School
The Westminster School
Westside School
Wetherby Prep School
Wilberforce School

Appendix 2

List of community clubs currently making active use of the Council's sports and leisure facilities

Acorn Gymnastics Club
Action 360
Aikido
All Sports Club
Apnea Dive
Argonauts Sub-Aqua Club
Aslan Sports
Baby Bop
BeFriend a Family
Belly Dance
Britannia Shotokan Karate
BSAC
Bushin
Bytomic Taekwondo
Cerus Volleyball
Chelsea & Westminster Swimming Club
Civil Service Sports Council
Dance Buzz
Eagles United FC
Fencing Academy
Fernhead Rovers
Green Oak Moreton FC
Guys and Dolls Badminton Club
Hampstead & Westminster Hockey Club
IBIS FC
Inline Skating
International Heritage
International Volleyball Club
Iranian Volleyball Association
IVC Swimming Club
Last Man Stands
Linklaters LLP
Little Kickers
Livingstones
Lokomotive
London Football
London Greenhouse Pioneers
London School of Economics
London Sport for the Blind
London Squash Group
London Tigers
London Youth Games Cricket
Martial Arts Fitness
Marylebone Ballet School
Marylebone Bangladesh Society

Mckenzie Group
MGLBBALL
Moberly Judo Club
Moberly Table Tennis Club
Moroccan FC
North Westminster Muslim Cultural Association
Open Age
Otters Swimming Club
Out Play Squash
Oyster Dive
Paddington Wrecks
Parkour Generations
Pimlico Puffins
Polly Netball
Pro Potential
Queens Park Mums Basketball
RBKC Youth Sports and Schools Team
Regent Park Rangers Ladies
Regents Park FC
Rugby Tots SW
Salahuddin Trust
Serpentine running club
Seymour Syncro swim
Shentie Martial Arts Club
Sid's Badminton Club
Small Beginnings
Soccer Skills Academy
Sport London Benfica
Sudanese Youth
Taekwondo Academy
Tango Movement
Team BFK
The Kensington Dragons
The List
The London Karting Company
The Soccer School Co
Thursday Club
Tomasz Prusik
Total Sports For Kids
Tyga Martial Arts
Victoria Badminton Club
Victoria Football Club
WDP
West London Futsal
Westminster Sports Unit
Wetherby Dolphins/Pembridge Mermaids
Zendo