

For General Release

REPORT TO:	Cabinet 20 November 2017
SUBJECT:	Sport, Physical Activity and Leisure Services Operator – Appointment of Preferred Bidder
LEAD OFFICERS:	Shifa Mustafa, Executive Director of Place Steve Iles, Director of Streets
CABINET MEMBER:	Councillor Timothy Godfrey, Cabinet Member for Culture, Leisure and Sport Councillor Simon Hall, Cabinet Member for Finance and Treasury
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON

The appointment of an operator for sport, physical activity and leisure services will address all three of the Corporate Plan Priorities, specifically to make parks and open spaces a cultural resource and to improve wellbeing across all communities through sport and physical activity. As part of the Council’s Ambitious for Croydon framework, a key outcome is to improve wellbeing across all communities through sport and physical activity. The Council’s Liveability Strategy, approved by Cabinet on 13 July 2015 (A68/15), committed to develop an integrated approach to sports and physical activities that ensure we maximise the use of our parks, open spaces and leisure assets to increase participation and improve health outcomes for our residents. The recommendations set out in this report will support delivery of that ambition.

FINANCIAL IMPACT:

The agreement for the Sport, Physical and Leisure Services Operator will be a concessions agreement, with a significantly reduced revenue subsidy from the Council in years 2018/19 to 2020/21, saving £1m by 2021 and resulting in a zero contribution from 2021/22 until the end of the contract.

KEY DECISION REFERENCE NO:- 1617CAB

The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.

1. RECOMMENDATIONS

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

The Cabinet is recommended to:

- 1.1 Agree the appointment of the party named in the Part B report as the Preferred Bidder for the Sport, Physical and Leisure Services Operator concessions contract.
- 1.2 Agree that the name of the Preferred Bidder be published upon conclusion of the standstill period required under regulation 47 of the Concessions Contract Regulations 2016.
- 1.3 Agree that subject to:
 - 1.3.1 'fine tuning' discussions with the Preferred Bidder being resolved to the satisfaction of the Council and there being no material changes to the proposed solution beyond the scope set out in this report; AND
 - 1.3.2 The terms and conditions of all necessary documentation being to the satisfaction of the Director of Law and Monitoring Officer; that
 - 1.3.3 authority to award the final contract and leases and agree all necessary documentation be delegated to the Executive Director Place, in consultation with the Cabinet Member for Culture, Leisure and Sport and the Cabinet Member for Finance and Treasury.
- 1.4 Note that the contract is valued at £160m for a term of twenty years (15+5), with a review clause at year 10.

2. EXECUTIVE SUMMARY

- 2.1. A key priority in the Council's Liveability Strategy is to develop an integrated approach to sports and physical activity that ensures we maximise the use of our leisure assets, parks, and green spaces to increase participation and improve health outcomes and build foundations for an active life for our residents. As identified in the Opportunity and Fairness Commission, final report published in January 2016, the Council recognises that engagement with sports and physical activity can also be a key component of vibrant, responsible and connected communities. By creating an offer which makes best use of the borough's indoor and outdoor infrastructure, the Council can ensure a sustainable model which harnesses the wider community benefits achieved through participation in sports, physical activity and community activities.
- 2.2. The Council is seeking to maximise access to these benefits by increasing participation in sports and physical activity, working with health partners, National Governing Bodies (NGB), other organisations, businesses, schools and communities to:
 - develop an integrated approach to sports and physical activities that ensures we maximise the use of our parks, open spaces and leisure assets to increase participation and improve health outcomes for our residents.
 - target our resources on increasing access to and participation in sports and physical activity of vulnerable and disadvantaged groups within our communities.

- 2.3. In developing the preferred approach for its sports and physical activity assets, the Council has recognised the benefit of an integrated approach with its parks and green spaces. A key priority is to ensure that our parks and green spaces support and encourage active lifestyles, provide high quality sports facilities, give children a space to play in, address inequalities and host a range of well publicised activities for all (walks for health, outdoor gyms, etc.) Currently, there are over 32,000 people who regularly participate in physical activities in Croydon’s parks and open spaces including: park runs, British military fitness, health walks, football, cricket, outdoor gyms / trim trail, volunteering in parks and sailing. With this in mind, it is essential that the Council’s indoor sports facilities complement and enhance the offer available in the boroughs parks and green spaces.
- 2.4. The current leisure services contract expires in March 2018 and the Council has agreed that an integrated model should be introduced as part of the new contract, ensuring the Council’s own leisure assets are part of a cohesive leisure offer which takes account of the mixed economy of providers and the opportunities to align indoor and outdoor provision. To achieve that ambition, the Council has undertaken a procurement exercise in accordance with the Concessions Contract Regulations 2016 (“CCR”) to appoint an operator that can deliver a high quality sports and leisure service for indoor facilities and outdoor spaces within the scope of the contract. This will also include ongoing investment to ensure the standards are maintained throughout the contract period.
- 2.5. This report sets out the background to the procurement, the sourcing approach undertaken and the outcome of that process. It recommends the appointment of a Preferred Bidder for the Sport, Physical and Leisure Services Operator concession contract and appropriate next steps.
- 2.6. The content of this report was endorsed by the Contracts and Commissioning Board on 9 November 2017.

CCB Approval Date	CCB ref. number
09/11/17	CCB1285/17-18

3. DETAIL

- 3.1 As a growing borough with an excitingly diverse community, the Council is ambitious to deliver a first class excellent rated leisure service to cater to a range of communities across the borough. Ensuring access to sports and leisure provides an opportunity to maximise a wide range of wellbeing and community benefits. The Council wants to ensure that its own sports and leisure facilities are part of an integrated model, ensuring provision of a range of opportunities for local residents to engage in physical activity as part of a broader wellbeing and cultural offer, as well as being able to develop and maximise their potential through recognised pathways of development. This is in line with national policy objectives and the aspirations of the NGBs of sport to help raise physical activity levels.

- 3.2 Locally, this will complement the wellbeing and community engagement objectives of the Council's Live Well model, Cultural Programme and Parks Review. By developing these strategic programmes concurrently, there is a significant opportunity to maximise impact across all areas, ensuring that residents are able to access a diverse culture, leisure and sports offer in a range of high quality public spaces.
- 3.3 Through Live Well, the Council has been developing a holistic support programme to enable healthy lifestyle change that addresses the barriers to making healthy choices. Through a single point of access that leads to a range of interventions, there will be a range of options appropriate to individual and community need. As part of this initiative, it is intended to provide clear signposting to the leisure centre and outdoor recreation offer for those interested in pursuing sports and physical activity and improving their social wellbeing. Furthermore, where there is evidence of interest in new or different activities, the Council can utilise this intelligence to ensure its leisure offer remains fit for purpose and responds to local demand.
- 3.4 The Council's current indoor leisure provision is comprised of five leisure centres (Waddon, Thornton Heath, South Norwood, New Addington and Purley); along with a dual use sports and community centre at Monks Hill; and Croydon Arena, which provides an eight lane 400m running track and floodlit football pitch. The five leisure centres are operated by Fusion, under a contract awarded in 2007. The contract has been varied in line with the contractual change control procedures and has been extended for a period of four months, to expire in March 2018.
- 3.5 The Fusion contract also provides for maintenance of the Waddon, Thornton Heath and South Norwood leisure centres. Purley and New Addington leisure centres are maintained by the Council through its current facilities management (FM) contract. Monks Hill and Croydon Arena are currently operated in-house and are maintained through the Council's FM contract.
- 3.6 Ashburton Hall, which provides a mix of meeting and community rooms along with small refreshments area, has been included within the contract opportunity. Bidders were asked to show how Ashburton Hall could be utilised to enhance the leisure offer at Ashburton Park and provide an accessible community facility, without additional cost to the contract.
- 3.7 The Council's outdoor sports and leisure offer is currently managed by its Grounds Maintenance contractor. The Grounds Maintenance contractor is responsible for maintenance of the sites for activities, such as Golf, Fishing and Tennis courts ensuring that these are available for use during the operating times of the parks and open spaces, this does not include the service delivery and development of these activities. An annual guaranteed income of £10,000 arising from the sports hire within the parks and open spaces is payable to the Council. Under the new contract the development and operation of the outdoor hard court spaces across the borough will be the responsibility of leisure operator to enable greater use and investment into facilities. This also includes further investment opportunity with other partners identified through the Playing Fields Strategy such as the Lawn Tennis Association and Football Association

to further enhance areas. The grounds maintenance obligations will remain with the Council's current provider.

- 3.8 The Council is seeking to enter into a long-term successful partnership with an established Operator to manage our leisure centres, and outdoor hard court facilities in parks and green spaces, to enhance the quality of the current offer, to deliver significant financial savings, and to work in partnership with the Council's existing services, to ensure residents have access to the relevant tools to make positive choices which will enrich their wellbeing. The Council has sought an Operator who will take into consideration local, regional and national policy, as well as understanding the borough's needs, aspirations and priorities, to establish a fruitful and holistic approach to sport, physical activity and leisure services. The Council wants to work with an entrepreneurial partner to develop new opportunities which can enhance the sports, physical activity and leisure offer across the borough and which will complement the existing provision. We are keen to work with an Operator who will maximise commercial opportunities whilst addressing and engaging fully with Croydon's diverse communities.

Requirements

- 3.9 To achieve that ambition, the Council has sought a suitably qualified operator that can run all aspects of an integrated Sport, Physical and Leisure Services offer, delivering across a number of specialisms. The Council is seeking a renewed focus to sport and leisure in Croydon, which makes use of all of the varied assets in the borough to provide a joined up package developing and managing operations, maximising commercial opportunities and delivering the social objectives, whilst also considering the following ten requirements across the entire estate:
- Successful and financially sustainable operation of the facilities
 - Effective management and programming of indoor facilities
 - Effective management and programming of outdoor hardcourt facilities and parks development opportunities
 - Accessibility and Concessions
 - Improving equality and delivering social value
 - Supporting Health and Wellbeing priorities
 - Supporting 'Live Well'
 - Ensuring national, regional and local strategic alignment
 - Supporting Sport & Physical Activity (SPA)
 - Effective facilities management and health and safety
- 3.10 The operator will be required to attain and maintain Sport England's recommended continuous improvement Quality management framework for Leisure Facilities and Sports Development (or subsequent national framework). It is asked to achieve and maintain a rating of "Excellent" and work towards Quest Stretch targets where possible which will be monitored by the authorities Leisure contracts team as well as external assessment and verification. The scheme has moved away from an input based scheme towards impact and outcomes that stretches facilities and promotes continuous improvement and benchmarking to industry best practice. This is assessed against five key themes:

- Impact and Outcomes
- National Governing Bodies
- People Development
- Legacy
- Health and Well Being

Sourcing strategy

- 3.11 The operation of the facilities must be financially sustainable, building reserves for future capital costs, bringing in revenue to ensure optimal opportunity to facilitate concessionary rates, and developing commercial income to ensure a significant reduction in the management fee payable by the Council. Given that there is an ambition for no long-term revenue subsidy, the Council determined that the opportunity meets the definition of a concessions contract as per regulation 3.3 and 3.4 of the CCR, in that the opportunity will transfer to the concessionaire an operating demand or supply risk that involves real exposure to the vagaries of the market, such that any potential estimated loss incurred by the concessionaire shall not be merely nominal or negligible.
- 3.12 The operator will be required to identify the level of investment needed to mobilise the new offer prior to opening, including the level of capital fit-out costs needed for: the new facility in New Addington and Ashburton Hall; to launch the new programme, and to maintain the assets during the life of the contract. Alongside these costs, investment is needed for the outdoor hardcourt areas and development of outdoor programmes. In line with regulation 18 of the CCR, the Council determined that the time period over which the investment can be recouped in operating the services together with a return on invested capital, taking into account the investments required to achieve the specific contractual objectives, would be a maximum of twenty years. The term of the operator agreement has therefore been limited to twenty years, with a break option at year ten and an extension option at year fifteen (15+5), subject to satisfactory performance.
- 3.13 Based on the maximum twenty year term, the concession was valued at £6m per annum, accounting for an estimated contract value of £120m over the maximum twenty year term. The estimated contract value accounts for the potential turnover to the operator to be generated over the contract term in delivering the totality of the Council's Requirements described in the concessions documentation, as summarised in paragraph 3.9. Following receipt of tenders, the Council has increased the contract value to £8m per annum in line with the proposals received from bidders, resulting in an estimated contract value of £160m over the maximum twenty year (20) term.
- 3.14 Given that the value is in excess of the EU threshold, the procurement process was conducted in line with the CCR. The CCR provides for flexible approaches to the procurement route and the Council adopted a route to market commensurate with the competitive dialogue procedure described in Regulation 30 of the Public Contract Regulations 2015 ("PCR"). This was determined as the optimal route given that the Council requires an innovative and locally responsive solution which is not readily available from the market. In particular, it was proposed that dialogue will focus on the business model and commercial

terms to ensure a solution capable of providing an overall economic advantage for the Council.

- 3.15 The Contracts & Commissioning Board approved the procurement route for the appointment of an operator for Sports, Physical Activity and Leisure services outlined above (reference: CCB1242/17-18).

Procurement process

- 3.16 In line with the procurement strategy, on 9th June the Council published a Concession Contract Notice in the Official Journal of the European Union (OJEU) inviting suitably qualified operators to express interest in the concessions contract opportunity. Potential operators were required to complete the Standard Selection Questionnaire (SSQ), mandated by the Cabinet Office, which was adopted in order to shortlist bidders.
- 3.17 Five SSQ responses were received by the deadline. In line with the published selection criteria, bidders were assessed as below:
- Stage 1: completeness, compliance and eligibility
 - Stage 2: economic and financial standing
 - Stage 3: technical and professional ability
- 3.18 All five applicants successfully complied with the SSQ Stage 1 requirements including the following:
- No issues arising from Mandatory and Discretionary Grounds for Exclusion
 - Provided relevant experience and contract examples
 - Compliance with self-certification requirements (Insurance; Modern Slavery Act; Equalities; Health and Safety).
- 3.19 Four applicants met the minimum turnover threshold (£6 million per annum for each of the most recent two years) and achieved the minimum transaction size of £6m based on their company health rating and turnover. One applicant met the minimum turnover threshold for the most recent year, but, due to their recent incorporation they only had financial data for one year. In addition, this applicant did not meet the minimum transaction size of £6m based on their company health rating and turnover. Their health score was assessed as Caution, resulting in a maximum transaction size of £2.299m and they were assessed as receiving an “Unacceptable” rating
- 3.20 Section 8.27 of the SSQ Information and Guidance states the following:

Notwithstanding the above, if a potential supplier has received an “Unacceptable” rating for Economic and Financial Standing, but the Council considers that it is in the best interests of the procurement process to allow the potential supplier to pass the Economic and Financial Assessment and it is believed there are potential benefits to the Council which outweigh any potential risks, the Council reserves the right in accordance with the Councils Tenders and Contracts Regulations to report to the Council’s Section 151 officer outlining any mitigating circumstances why on this occasion a potential supplier, receiving an “Unacceptable” rating should pass the Economic and

Financial Assessment. The decision of the Council's Section 151 officer will be final.

- 3.21 For this reason, it was determined to assess the applicant's technical and professional submission to determine whether it would be in the best interests of the procurement process to apply the permitted discretion and allow the applicant to pass the Economic and Financial Assessment.
- 3.22 The technical and professional selection criteria applied include specialist expertise and experience of delivering the totality of the requirements, weighted as below:

Question		%
6.4A(1)	The successful and financially sustainable operation of leisure services, both indoor and outdoor facilities	35%
6.4.A(2)	Ensuring equality, accessibility and customer satisfaction	10%
6.4A(3)	Supporting health and wellbeing through sport, physical activity and leisure services	15%
6.4A(4)	Working in partnerships	10%
6.4A(5)	Social Value	5%
6.4A(6)	Premises and Equipment Management	15%
6.4A(7)	Business Continuity	5%
6.4A(8)	Health and Safety	5%
TOTAL		100%

- 3.23 Responses were scored on a scale of 0 (Unacceptable) to 5 (Excellent) in line with the selection scoring methodology outlined in the SSQ. A score of 2 (Fair) was required in respect of all selection criteria in order for the submission to meet the minimum threshold.
- 3.24 Four applicants achieved acceptable scores for all criteria. The applicant which had received an 'Unacceptable' rating at the stage 2 assessment, failed to achieve the minimum score for two areas: Business Continuity and Health and Safety. This applicant had been assessed on a provisional basis to determine whether there was a case for it being in the best interests of the procurement process to allow the potential supplier to pass the Economic and Financial Assessment as there are potential benefits to the Council which outweigh any potential risks. Given that the applicant failed to achieve the minimum level of professional and technical ability required, it was determined that it is not in there are not potential benefits to the Council which outweigh any potential risks and it is not in the best interests of the procurement process to allow the potential supplier to pass the Economic and Financial Assessment. For this reason, the applicant was determined to have failed at Stage 2: Economic and Financial Standing. Further details as to the scores achieved by the bidders are set out in the Part B report.

- 3.25 Following evaluation and moderation of the SSQ submissions, one bidder was unsuccessful at stage 2: completeness, compliance and eligibility. Four bidders met the minimum threshold and received an invitation to submit a solution (ISS) on 20th July. Prior to the deadline for ISS submissions, one bidder withdrew from the process.
- 3.26 On 17th August, the Council received three ISS submissions. Submissions were not scored, but were reviewed to determine key strengths and weaknesses in order to inform dialogue with bidders. The bidders were invited to competitive dialogue which commenced on 21st August -27th October. The Council adopted a streamlined dialogue process to ensure open and interactive sessions with the aim of developing optimal solutions for the final tender stage.
- 3.27 The agendas provided an opportunity for discussion of any elements of the Council's requirements and the Bidders' solutions. In this way, although following a uniform approach in terms of broad topic areas, the detailed discussions were tailored to the particular needs of each Bidder and the key aspects of their solution. Although the focus was on development of the initial solution, the Dialogue phase was not limited to discussion of proposals which Bidders set out in their ISS submission. The Council encouraged Bidders to raise any new ideas or alternative proposals during Dialogue to ensure that they had a full understanding of the Council's requirements and had been able to test all potential options with the Council.
- 3.28 On 6th October, the Council concluded that there was a sufficient amount of bidders capable of meeting their requirements and formally closed dialogue by issuing an invitation to submit final tenders (ISFT). Final tenders were received 30th October and were checked for compliance before being individually evaluated by the evaluation panel.
- 3.29 The final tenders were evaluated against eight criteria, weighted as below. The evaluation approach considers both qualitative and financial / commercial aspects to get a rounded view of the economic benefit in respect of each criteria.

Evaluation criteria	Weighting
Provision of a successful and financially sustainable sport, physical activity and leisure services operation, including both indoor and outdoor facilities	30%
Ensuring equality, accessibility and customer satisfaction	15%
Supporting health and wellbeing through sport, physical activity and leisure services	15%
Working in partnership	15%
Operational procedures and monitoring	7%
Health & Safety procedures and monitoring	7%
Planned and Ad Hoc building and equipment maintenance and monitoring	7%
Plan for mobilisation period	4%

- 3.30 Bidders were asked to submit written responses to eight method statements, aligned to the above evaluation criteria. In addition to their method statement response, bidders were asked to provide a financial model, financial assumptions narrative, KPI template, business plans for each of the facilities, a community and partnership programme and organograms. These were cross referenced with and taken into account as part of the assessment of each criterion to determine the solution most capable of providing an overall economic advantage for the Council.
- 3.31 The evaluation panel met on 6th and 7th November. Further details as to the scores achieved at the final tender stage are set out in the Part B report.

Appointment of the Preferred Bidder

- 3.32 Following application of the contract award evaluation criteria, the operator identified in the Part B report has been identified to meet the objective criteria which comply with the principles set out in Regulation 8 of the CCR and which ensure that tenders are assessed in conditions of effective competition so as to identify an overall economic advantage for the Council. Having evaluated the method statement responses, financial model, proposed KPIs and business plans for the facilities against each of the evaluation criteria, the Preferred Bidder has proposed a solution which will deliver an efficient and value for money service, achieved through the following:
- An innovative service, broadening and deepening participation and targeting the key requirements of the Council as set out in the tender documentation.
 - Working in partnership with the Council to continuously review the service provision to ensure the delivery of the leisure, sports and physical activity services fulfil their optimum capability and are best able to meet the needs of the communities they serve.
 - Investment in the development of services and staff whilst delivering against the Council's affordability over the term of the partnership.
 - A robust financial model, efficient management and the development of new products, activities, extensive outreach programmes, year-on-year increase in activity and participation levels and effective Business Continuity Planning
 - A new Membership Architecture and pricing structure to support participation by those on low incomes and/or benefits, compete with low cost private sector gym providers, ensure the financial benefit of the facilities flows to the Council from those in the community who can afford to contribute.
 - Compliance with London Living Wage is a condition of the operator agreement and the Preferred Bidder will work with Croydon Works to maximise opportunities for local people to secure employment opportunities across the facilities.
- 3.34 Some key highlights of what will be delivered are as follows:
- *Outdoor Facilities and Parks Strategy*: Croydon benefits from some great outdoor facilities and parks, and the preferred operator have devised a comprehensive Outdoor Facilities and Parks Strategy that activates these spaces and will lead to a significant increase in participation figures.

- Implement a concessionary pricing and membership structure that provides discount on activities and discounted hire rates for community groups
- *Gym Redecoration*: the gyms at South Norwood, Thornton Heath, Waddon and Purley will undergo a complete re-fresh that will include redecoration, new flooring and lighting.
- *Gym and Group Exercise Equipment*: Will provide State-of-the-art equipment and user interface technology which will attract extra users to centres as a USP.
- The (new) New Addington Leisure Centre has a significant budget allocated for Fixtures, Fittings and Equipment and both potential operators have been able to comment on design and to ensure the centre is equipped with all the appropriate equipment to run a wide ranging activity programme that specifically targets the Council's key priority groups including; Over 60s, Children, Vulnerable groups, persons with disabilities and communities facing socio-economic disadvantage.
- Future development options have been identified which, should the opportunity arise, would be developed further with the Council such as a leisure provision in the business district and identifying locations in the borough for future facilities.

3.35 For these reasons it is recommended that the Cabinet appoint the operator identified in the Part B report as the Preferred Bidder. In line with the Concessions Contract Regulations (regulation 47.1), the Council must send to each candidate and tenderer a notice communicating its decision to award the concession contract and it may not enter into the contract until conclusion of the standstill period, ending at midnight at the end of the 10th day after the relevant sending date. For this reason, it is proposed that the name of the successful operator be published after conclusion of the standstill period.

3.36 Subject to 'fine tuning' discussions, with the Preferred Bidder being resolved to the satisfaction of the Council, and there being no material changes to the proposed solution beyond the scope of the proposed solution set out in this report, the Cabinet is recommended to delegate the Executive Director Place, in consultation with the Cabinet Member for Culture, Leisure and Sport and the Cabinet Member for Finance and Treasury, authority to award the final contract and leases and agree all necessary documentation.

Operator Agreement and Lease

3.37 The operator agreement and the associated leases and licenses will be managed by officers in line with the Council's contract management model, with quarterly strategic reviews and monthly performance and planning meetings. An annual performance appraisal will be undertaken to inform the business planning cycle for both the Council and the successful operator. The operator agreement includes open book accounting provision, a clear service performance regime and a requirement to deliver a balanced programme as detailed in their submission.

3.38 In order to secure an operator that will commit to investing in Croydon, long-term leases for the facilities will be entered into alongside the operating agreement. The leases are on internal repairing and insuring terms, with

breaks commensurate with the review and termination periods / rights within the operator agreement. Purley Facilities Management arrangements will remain the responsibility of the Council. In addition to indoor facilities the leases will also incorporate the outdoor hardcourt and tennis courts to enable maximum use and ongoing repairs and maintenance to be carried out.

3.39 Given the value, the operator agreement will become a Tier 1 contract.

4. CONSULTATION

4.1 A period of soft market testing with potential operators informed the detail of the tender content and process.

4.2 Lead Members have been consulted on the development of the content of the tender documentation.

4.3 The views of users of the facilities, based on customer feedback and satisfaction data, are reflected in the tender documentation, particularly in terms of the emphasis on quality service provision and local engagement.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1. Revenue and Capital Consequences of the report.

The award of the contract to the preferred bidder will result in financial benefits to the Council.

2. The effect of the decision

The operator agreement is being let on a concessions basis, with no long-term ongoing revenue subsidy to the Operator. This is a change from the current position with the costs of the previous operator of £997k and in house costs of Monks Hill and Arena of £239k for 2017/2018. Plus in house client management costs of £218k, resulting in the total spend for the existing service being approximately £1.018m per annum.

In finalising the tenders, the Council has asked bidders to set out the capital investment programme required to deliver the business plans for the Facilities. Analysis of the proposals and the options available for funding has determined that the most advantageous mechanism is for the Council to fund this directly as part of the capital programme. This will ensure that the Council is able to take advantage of its more competitive borrowing facilities whilst minimising revenue impact to the Council in terms of cost of finance.

3. Risks

If the recommendations set out in this report are not approved, the project to appoint an operator for the Facilities will be delayed and the Council will need to consider alternative delivery options for an interim period whilst an alternative provider is sourced.

4 Options

The option of not appointing the Preferred Bidder was rejected as they have proposed a compliant solution capable of meeting the Council's requirements and failure to appoint would result in the Council being unable to deliver one of its key strategic priorities.

5 Future savings/efficiencies

The operator contract will be on the basis of no long-term ongoing revenue subsidy from the Council.

Approved by: Lisa Taylor, Director of Finance Investment and Risk and Deputy S151 Officer

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1. The Council Solicitor comments that the proposal set out in this report is in accordance with the Council's Tenders and Contracts Regulations and seeks to support the Council's duty to achieve Best Value pursuant to the Local Government Act 1999.
- 6.2. The final decision to award will be subject to the Council Solicitor being satisfied on the terms and conditions of all necessary documentation associated with the recommendations.
- 6.3. The Council has had external legal advice and support throughout this project

Approved by Sean Murphy, Head of Commercial and Property Law & Deputy Monitoring Officer on behalf of the Director of Law & Monitoring Officer.

7. HUMAN RESOURCES IMPACT

- 7.1. This report makes recommendations involving service provision changes which may invoke the effects of the Transfer of Undertakings (Protection of Employment) 2006 Legislation (amended 2014). However, where the activities of the new service are "fundamentally not the same", TUPE may not apply, as provided for by the 2014 amendments to the Transfer of Undertakings (Protection of Employment) 2006 Legislation.
- 7.2. These service provision changes may impact on Council and non-Council staff (i.e. existing Fusion staff) who are directly employed to provide/support the services in scope for the Sport, Physical and Leisure Services contract.
- 7.3. Where the Council is not the employer the application of TUPE, or otherwise, would be determined between the service providers. Nevertheless, this would remain a change of service provision for which the Council is the client; on that basis, the role of the Council would usually extend no further than facilitating the process.

7.4. Where TUPE applies, the affected staffing group would transfer to the new provider on their existing terms and conditions of service. The appropriate TUPE protocols must be followed; particularly the duty to provide information and consult as appropriate with the recognised trade unions and affected staff. Sufficient time will be needed to ensure meaningful consultation takes place on any proposed measures (i.e. economic, technical or organisational changes) that the new provider may propose post transfer.

Approved by: Colin Chadwick, Head of HR Specialist Services

8. EQUALITIES IMPACT

8.1 A full Equality Analysis has not yet been undertaken, but will be informed by the business plans to be developed for each centre. An initial needs analysis has been conducted which has identified that Croydon’s population is growing and is expected to increase by more than 35,000 by 2021, with significant growth in the older population. This age group traditionally tends to use leisure facilities during the daytime, so ensuring appropriate and attractive provision in the community is essential and is unlikely to be met by schools-based facilities which are in use by the student population during the day. Additionally, Croydon’s population is diverse, with 40% of residents from BME communities, compared to 15% nationally. Croydon also has high levels of inequality and deprivation, with 34% of the population residing in the top 30% of deprived areas of the country. With such demographic diversity comes the challenge of creating a leisure offer which effectively engages with and responds to the needs of this diverse population.

8.2 The health benefits of physical activity are widely known, particularly for those who wish to achieve or maintain a healthy weight. To stay healthy, it is recommended that adults should be active daily and aim to achieve at least 150 minutes of physical activity over a week through walking, cycling, physical exercise and playing sports. However, the proportion of Croydon adults participating in the recommended level of physical exercise is lower than the London average. Only 57.1% of adults in Croydon engage in the recommended 150 minutes of physical activity per week, compared to 57.8% in London. 25.6% of adults are physically inactive and only 7.2% of Croydon adults use outdoor space for exercise and/or health reasons, compared to 17.9% nationally and 12.3% in London. This contrasts with the current obesity issues in the borough. 63.0% of adults in Croydon are overweight or obese, compared to 58.4% in London. For children aged 10-11, this figure is 39.0% in Croydon, compared with 37.2% in London¹.

8.3 The health costs of physical inactivity have been calculated by Sport England as below²:

Disease category	Croydon	London	England
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¹ All indicators are from the Public Health Outcomes Framework, current as at May 2016. Data is available on the Public Health England website: <http://www.phoutcomes.info/>

² Data from Sports England local authority profile. Data available online: <http://localsportprofile.sportengland.org/Profiles.aspx>
 Source: Sport England commissioned data from British Heart Foundation Health Promotion Research Group for PCTs, reworked into estimates for LAs by TBR. Measure: Health costs of physical inactivity, split by disease type. Time period(s): 2009/10

Cancer lower GI e.g. bowel cancer	£298,168	£9,647,613	£67,816,189
Breast Cancer	£490,757	£10,473,802	£60,357,887
Diabetes	£1,205,418	£28,881,611	£190,660,420
Coronary heart disease	£2,805,694	£68,351,198	£491,095,943
Cerebrovascular disease e.g. stroke	£936,663	£19,641,408	£134,359,285
Total Cost	£5,736,700	£136,995,632	£944,289,723
Cost per 100,000 population	£1,725,585	£1,776,346	£1,817,285

8.4 As detailed in the Sport England local sport profile for Croydon, the borough has seen an increase in participation amongst males over the past ten years, with a higher proportion than both London and the England average. However, in contrast to the national and regional trends, participation amongst women has decreased over the same period and is now at 24.6% of the adult female population, compared to 32.4% in London and 31.2% nationally. This reduction in participation is mirrored amongst BME populations and those aged 35-54, again in opposition to national and regional trends which have seen increases over the same period. Participation levels amongst Croydon's population are lower than both the national and regional average for all groups, except for males and those aged 16-25, which are at levels comparable with the London and England average³. The full breakdown is provided in the table below:

Adult (16+) Participation in Sport (at least once a week), by year, and demographic breakdown

Indicator	Croydon		London		England	
	2005/06	2014/15	2005/06	2014/15	2005/06	2014/15
Male	39.5 %	44.8 %	40.0 %	43.8 %	39.4 %	40.7 %
Female	28.9 %	24.6 %	30.6 %	32.4 %	30.1 %	31.2 %
White British	33.6 %	35.1 %	35.3 %	39.4 %	34.4 %	35.5 %
BME	34.8 %	33.7 %	35.2 %	37.0 %	35.9 %	37.7 %
Disabled	*	*	14.8 %	19.3 %	15.3 %	17.2 %
Not Disabled	36.4 %	36.8 %	38.2 %	40.8 %	38.2 %	39.6 %
16 to 25	53.9 %	55.6 %	51.2 %	53.1 %	56.2 %	55.2 %
26 to 34	44.7 %	*	45.2 %	44.9 %	45.6 %	44.6 %
35 to 54	33.9 %	32.0 %	34.1 %	37.4 %	35.7 %	38.2 %
55+	16.4 %	18.4 %	18.1 %	22.8 %	18.9 %	20.9 %

9. ENVIRONMENTAL IMPACT

- 9.1. A key requirement set out in the ISS and ISFT was that the Operator must ensure that all operational procedures, method statements and policies related to the operation of the facilities contribute to their environmental impact being mitigated as far as practicable.
- 9.2. The Preferred Bidder has set out a range of sustainability commitments in their solution, including delivering:
- During the start of the contract the operator will review the facilities, and utilise the existing Bouygues ReFit programme. The operator will review centres not in the ReFit scheme, e.g. Waddon LC and deliver (if required) spend to save projects; schemes could include LED lighting and BMS optimisation.
 - Wherever possible the operator will look to source products and services locally, along with maximising Recycling and Waste Minimisation. This will

³ Data from Sports England local authority profile. Source: Active People Survey. Measure: Adult (16+) participation in sport (at least once a week) by year and gender, ethnicity, disability, age band and socio-economic class, one session per week (at least 4 sessions of at least moderate intensity for at least 30 minutes in the previous 28 days). Time Period(s): 2005/06, 2014/15.

include a dedicated Waste Management and Recycling Policy and Strategy and this will be incorporated into the facility operation and will be a key focus to staff.

- 9.3. To maximise recycling and reduce waste the operator adopts the following procedures:
- Seeks to reduce all types of waste through improved procurement practices and preventing waste streams – helping to ease consumption and lower costs of waste disposal.
 - Seeks to reuse resources wherever possible between centres.
 - Seeks to recycle items wherever possible and in conjunction with the recycling programming offered by the waste management contractors.
 - The operator would look to work with Croydon waste collection agents and ensure that as much waste as possible is sent to waste recycling centres.
 - Hazardous Waste – only registered licensed waste carriers are used for waste collection.
- 9.4. Further benefits are described in the Part B report.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no immediate Crime and Disorder consequences arising from the recommendations set out in this report. The increased participation, activation and regeneration of activity in the outdoor areas will have a positive impact on reducing antisocial behaviour in a number of areas around the borough through increased presence and opportunity to engage in new activities.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 The recommendations set out in the report will enable the Council to deliver the priorities identified in the body of this report.

12. OPTIONS CONSIDERED AND REJECTED

- 12.1 The procurement process set out in this report has concluded and the Preferred Bidder has been identified in line with the award criteria set out in the OJEU concessions contract notice. The option of not making an appointment was rejected as the Preferred Bidder has produced a compliant solution capable of meeting the Council's requirements. Furthermore, failure to appoint would mean that the Council would not be able to deliver the key strategic priorities set out in the body of this report.
- 12.2 Alternative routes to market were considered and rejected as part of the options appraisal prior to commencement of the procurement exercise.
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BACKGROUND PAPERS - None