



<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>27 June 2017</b>
<b>Part:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	Proposed Leisure Management Procurement
Contact:	<p>Cllr Neil Harden, Portfolio Holder for Resident and Corporate Services</p> <p>Author/Responsible Officers;</p> <ul style="list-style-type: none"> <li>• Robert Smyth, Assistant Director (Performance, People &amp; Innovation)</li> </ul>
Purpose of report:	For Cabinet to review and approve the key principles for the procurement of a new leisure management contract.
Recommendations	<p>That Cabinet approve:</p> <ol style="list-style-type: none"> <li>1. The draft service specification and evaluation criteria for the procurement of the leisure management contract as set out in paragraphs 3 &amp; 4 of the Report; and</li> <li>2. Delegate authority to the Assistant Director (Performance, People &amp; Innovation) in consultation with the Leader of the Council and the Portfolio Holder for Resident and Corporate Services to finalise the service specification and evaluation criteria.</li> </ol>
Corporate Objectives:	<p>Clean, Safe and Enjoyable Environment – Leisure provision is central to delivering a borough that people can enjoy and promoting health and wellbeing. This service specification will help ensure our approach continues to meet the needs of current and future residents.</p> <p>Delivering a modern and efficient Council – This will ensure that the Council maximises value for money in the provision of its sports and leisure service.</p>
Implications:	<u>Financial</u>

Value For Money Implications'	<p>The new contract is expected to deliver savings in the way that leisure is managed.</p> <p><u>Operational</u></p> <p>The recommendations would ensure that leisure services are as effective and well managed as possible.</p> <p><u>Value for Money</u></p> <p>The recommendations would ensure that leisure services are provided in a way that maximises value for money.</p>
Risk Implications	<p>The service specification is fundamental to ensuring that the Council is able to commissioning a provider to deliver its vision for a high quality, value for money leisure contract.</p> <p>If the right specification is not put in place it would have a major impact on the procurement process and the subsequent management of the leisure contract. However, all these risks are being managed through a series of controls including commissioning specialist consultancy support, consultation with key stakeholders and a robust procurement and selection process.</p>
Community Impact	<p>A Community Impact Assessment has been carried out and it identifies no adverse impact on the community. In fact, the introduction of a service specification is likely to have a positive impact.</p> <ul style="list-style-type: none"> <li>- The service specification and evaluation criteria will ensure that the Council has an effective operating model, which in turn will have a positive impact on the community.</li> <li>- It will ensure that the operator is able to support the Council's aims and vision, while maximising value for money.</li> <li>- The specification will set out expectations for the operator to support local clubs, invest in community development and help those who are most vulnerable. This will include publishing an annual "Sport, Community &amp; Physical Activity Development Plan".</li> <li>- Having a clear commercial contract (and performance monitoring framework) will also make it easier for the Council to ensure that its objectives for community benefits are being met.</li> </ul> <p>See the Community Impact Assessment for more details.</p>
Health And Safety Implications	<p>Health and safety will be a key requirement in the service specification.</p>
Monitoring	<p><b>Monitoring Officer:</b></p>

<p>Officer/S.151 Officer Comments</p>	<p>The service specification will form an essential part of the procurement process as it will set the key service requirements against which contractors will submit bids to be evaluated and assessed. The specification from the selected bidder will then become an important part of the contractual documentation to be agreed and signed-off by the Legal Team following evaluation.</p> <p><b>Deputy S.151 Officer</b></p> <p>There are no direct implications of the proposed recommendation. The detailed financial implications arising from awarding the leisure management contract will be assessed in due course when submitted.</p> <p>One of the key criteria for assessing the bids will be financial performance, financial reporting and data to assess performance and asset utilisation.</p>
<p>Consultees:</p>	<p>Chief Executive Council Leader Portfolio Holder – Residents and Corporate Services Corporate Director – Finance and Operations Monitoring Officer to the Council Group Manager – Procurement, Commissioning and Compliance Procurement Officer</p>
<p>Background papers:</p>	<p>Cabinet Report (13<sup>th</sup> December 2016) “Review of the Council’s approach to managing Leisure Services” (Part 2)</p> <p>Portfolio Holder Decision Sheet (Part 2)</p>
<p>Glossary of acronyms and any other abbreviations.</p>	<p>None.</p>

## **1. Introduction**

- 1.1 Ensuring residents have access to high quality leisure provision is central to the Council's corporate plan commitment to "*deliver a clean, safe and enjoyable environment*".
- 1.2 In 2016 the Council commissioned a review of its leisure services and following the report, Cabinet approved the decision to terminate the existing agreement and procure a new leisure management contract.
- 1.3 Over the past 6 weeks, the Council has been scoping the procurement documentation and establishing the selection criteria to be used to select the management operator.
- 1.4 The following document therefore sets out the key principles for the proposed service specification and the selection criteria to be used in appointing the operator.

## **2. Consultation**

- 2.1 The decision to commence a procurement process followed a detailed review by specialist consultants, which included consultation with clubs and research into best practice within the leisure industry.
- 2.2 However, as part of this procurement process we have undertaken a number of additional consultation activities to understand what is important to Members, residents and users of sports clubs:
  - 2.2.1 Consultation workshop with 8 Members
  - 2.2.2 Consultation workshop with 31 residents and local sports club representatives
  - 2.2.3 A survey of all 51 Members
  - 2.2.4 A survey of local sports clubs
  - 2.2.5 5 interviews with representatives from key sports clubs

### **3. The Service Specification – What is Included?**

#### Contract Length

- 3.1 It is proposed that the new contract length will be for a period of 10 years (with a potential 5-year extension). This would commence on 1 April 2018.
- 3.2 This is a typical contract length (though some authorities have chosen longer periods) and balances the need to provide certainty and an attractive proposition, while ensuring that we continue to competitively test the market.

#### Contract Model

- 3.3 The draft contract will be compiled using the industry-standard Sport England drafting as a starting point.

#### Reference to New Investment

- 3.4 While providers will be required to bid on the nature of the existing facilities, they will be made aware of agreed commitments to improve facilities (e.g. Tring Swimming Pool) as well as potential investment opportunities.

## Key Service Standards

- 3.5 The *leisure management specification* will set out the Council's requirements for the delivery of its leisure service contract and the standards of performance the Operator shall meet in a range of areas.
- 3.6 The following areas provide an overview of the key elements of the proposed specification (though this is not an exhaustive list):
- 3.6.1 **Council's vision & outcomes** - The Operator will be required to work towards and adhere to a series of national, regional and local strategic policies including the Council's forthcoming leisure strategy.
- 3.6.2 **Quality management and accreditation** – The Operator will need to maintain a recognised quality management certification (for example Quest Accreditation) for each of its facilities.
- 3.6.3 **Customer service** - The Operator will need to ensure excellent levels of customer care so that all users receive a high quality and memorable experience at the facilities. The Council will include customer satisfaction ratings within the performance framework for the contract. Innovation and the use of technology to enhance the residents' experience is also something that the Council will promote.
- 3.6.4 **Catering and vending** – The Operator will need to provide a high quality, value for money catering service which offers a range of appetising and nutritious food and drink to users of the facilities. The Council is open to this being provided either by the operator or through a third party.
- 3.6.5 **Event management (including elections)** – The Operator shall have a clear policy in place for effective event management, including supporting and promoting Council events (e.g. Armed Forces Day) and major sporting events. The Operator will also need to host election counts.
- 3.6.6 **Sports & Community Development** – This is a key element within the standard and the Operator will need to publish and deliver an annual "Sport, Community & Physical Activity Development Plan". This will be approved by the Council. They will also need to produce an equality and diversity statement which, amongst other aspects, will set out how they will promote sports participation for vulnerable or 'hard to reach' groups.
- 3.6.7 **Marketing and Publicity** - The Operator shall ensure that the facilities are effectively promoted. They will also need to set out plans to help promote and support other sports groups and clubs (e.g. through hosting a sports portal).

- 3.6.8 **Pricing Requirements** - The Operator's Pricing Policy will promote the principles of equality of access and sustainability while working to achieve the agreed activity participation targets. This will set out specifically those prices which the Council considers to be "Core" to its leisure provision and therefore require the Council's permission to increase. This will include casual usage of the pool, sports hall, gym and outdoor areas. The prices and arrangements for local sports clubs will be protected (as is) for a period of 12 months. Typically, the level used in contracts is 6 months, but the Council is conscious of the importance that clubs play. The Council will be separately securing the usage of the facilities by Sapphire Gymnastics and Hemel Storm Basketball; these agreements will need to be taken into consideration by the bidders for the operating contract.
- 3.6.9 **Activity Programming** - The Operator shall ensure that the Programmes of Use are developed in partnership with the Council, and contribute to the Council's strategic outcomes, and reflect a management philosophy that encourages participation by or engagement with all sections of the community.
- 3.6.10 **Maintenance of Buildings, Plant and Equipment** - The Operator shall ensure that the facilities and all equipment are fully functioning and available for use. They must conform to the most up to date relevant legislation, statutory requirements, and industry standards, and perform in the most efficient manner during their full economic life. The split of responsibilities between the operator and the Council will be similar to the current arrangements. In essence the Council is responsible for the fabric of the building and for any replacements. The operator is responsible for maintenance.
- 3.6.11 **IT Systems and Data Protection** - The Operator shall ensure that fully functioning and efficient IT systems are provided and maintained at the facilities throughout the Contract Period.
- 3.6.12 **Staffing** - Each facility must have sufficient and suitably qualified staff to provide the services required by the Services Specification and all relevant legislation, including relating to the swimming pools, health and fitness gym.
- 3.6.13 **Health and Safety Management** - The Operator shall comply with all relevant health and safety legislation and shall produce, maintain and comply with a "Health and Safety Procedures Manual".
- 3.6.14 **Operating Performance and Financial Reporting** - The Operator shall provide to the Council on a quarterly and annual basis details of the operating performance of the contract. Indicators are likely to include customer satisfaction, participation rates and breakdown of membership by demographic groups. It will also include financial performance.

### Contract Performance

- 3.7 It is worth noting that the new contractual documentation will be considerably more robust than the existing management model. It will be supplemented by a Performance Monitoring System which provides the Council with a more robust method of contract management allowing us to maintain a consistent performance by the operator. The Council would also have the right to ultimately terminate the contract for persistent breach of performance standards by the Operator.

### Dual Use Agreements

- 3.8 The service specification (and the bidding process) will be based on the terms of the existing dual use agreements for the various school sites.
- 3.9 However, potential operators will be made aware that the terms of the dual use agreements for Tring and Longdean may be re-written in light of the investment and changes on those sites. This will be addressed in discussion with the successful operator as and when the changes need take place.

#### **4. The Evaluation Criteria– What is Included?**

##### ***Technical***

- 4.1 The bidders will be required to submit their technical and commercial proposals as specified in the Invitation to Tender.
- 4.2 The evaluation criteria are still being developed, however it is likely to cover the following key principles:
  - 4.2.1 Programming and Pricing
  - 4.2.2 Marketing and Customer Care
  - 4.2.3 Sports & Community Development and Health Outcomes
  - 4.2.4 Catering
  - 4.2.5 Asset Management & Cleaning
  - 4.2.6 Staffing
  - 4.2.7 Financial Reporting and Information Sharing
  - 4.2.8 Contract Mobilisation.

##### ***Commercial***

- 4.3 Bidder's commercial proposals will consider three key components:
  - 4.3.1 Proposed Management Fee (annual average over 10 years)
  - 4.3.2 Legal agreement mark-up and approach to risk
  - 4.3.3 Proposals for sharing any surpluses with the Council over and above projected financial performance. Bidders will be invited to submit their own proposals here, rather than the Council specifying their requirements.
- 4.4 Bidders will also be required to complete a detailed financial template, together with supporting commentary explaining assumptions underpinning the proposal. Requiring all bidders to use the same template ensures we can complete a like-for-like comparison of income and costs across bids.

## 5. Next Steps and Overview of Timetable

5.1 The next steps in the process include the review of draft copies of the procurement documentation, followed by the issue of the OJEU notice.

5.2 The timetable of next steps outlined below:

Ref.	Stage	2017										2018					
		A	M	J	J	A	S	O	N	D	J	F	M	A			
1	Launch meeting	■															
2	Prepare ISC and ITT documentation	■	■	■													
3	Document review and sign off by Council			■	■												
4	Bidders' Open Day				■	■											
5	Place advertisement, issue documentation and OJEU notice				■	■											
6	ISC and ITT preparation period for Bidders				■	■	■										
7	Evaluate ISC and ITT submissions						■										
8	Submit ITT evaluation report						■										
9	Council reporting and decision making							■	■								
10	Appointment of preferred bidder										■						
11	Standstill period										■						
12	Completion of contract documentation											■					
13	Mobilisation period												■	■	■		
14	Start of contract																■

## 6. Recommendations

6.1 Based on the proposed service specification and evaluation criteria, Cabinet Members are asked to approve recommendations 1 and 2 as set out in the headings section of the report.