



To: Executive Councillor for Community Well-being:
Councillor Sarah Brown
Report by: Head of Arts & Recreation, Debbie Kaye
Relevant scrutiny committee: Community Services 25/06/2013
Wards affected: All Wards

AWARD OF LEISURE MANAGEMENT CONTRACT, 2013-2020

Key Decision

1. Executive summary

The Council's third leisure management contract will expire at the end of September 2013. A procurement process has taken place to source management arrangements for a fourth contract to start on 30th September 2013 for a period of at least 7 years, with the option of a three year extension period. This report highlights the procurement process and the resulting recommendation for award of the contract. The evaluation process considered both price and quality and concluded that the contractor with the highest total score is Greenwich Leisure Limited.

2. Recommendations

2.1 In accordance with the Council's Contract Procedure Rules, officers recommend that the Executive Councillor approves the award of the Leisure Management contract to Greenwich Leisure Limited for a seven year period from 30th September 2013, with the option of a three year extension.

3. Background

3.1 Cambridge City Council provides a broad and unique range of swimming and leisure facilities, ranging from children's' paddling pools, learner pools, 25m competition pools, Europe's longest outdoor lido, high quality diving facilities, Cherry Hinton Village Centre and a range of pitches including floodlit artificial surfaces. This wide variety of assets spread throughout the City offers residents the opportunity to take part in sport from participation through to performance level. The Council understands that these services are valued by local people and believes they deliver significant contributions to promoting health and community well-being. In respect of management arrangements, the Council has sought to deliver both value for money and good standards of service provision.

3.2 It is over 20 years since the Council externalised the management of its leisure portfolio. In 1992, Empire Leisure Ltd was awarded the first of 2

consecutive contracts (LM1 and LM2) to run Abbey Pool, Kings Hedges Learner Pool and the outdoor pools for 11 years. In October 2003 SLM Ltd was awarded a contract (LM3) to run a larger portfolio, including Parkside Pools and the Cherry Hinton Village Centre. The SLM contract achieved savings for the Council of approximately £500,000 per annum against the previous arrangements, on the basis of a best value led approach. This involved use of SLM's trust model, other tax benefits and the economies of scale a major leisure contractor can provide. SLM was awarded a 7-year contract with an extension option for a further 3 years. An extension was approved in January 2009 following an options appraisal and soft market test. The extended contract expires at the end of September 2013.

3.3 In recent years, the Council has made significant investments in swimming and sports provision, such as new changing areas at Cherry Hinton Village Centre and at both Parkside and Abbey Pools, as well as a broader investment in informal recreation and community sport facilities at school sites. The Council has also invested in energy saving measures at leisure sites and this area remains a priority for future improvements.

3.4 The following decisions have already been taken by the Executive Councillor for Arts, Sport & Public Places in respect of the Leisure Management 4 contract (LM4):

- June 2011 – authority to procure external advice.
- January 2012 – authority to commence procurement exercise and advertise a Pre Qualification Questionnaire (PQQ) to the market place.
- October 2012 - authority to proceed to the 'Invitation To Tender' (ITT) stage and release of contract specification documentation to the selected companies; also to approve the proposed principles underpinning the contract specification.
- December 2012 - Approve additional aspects to the ITT documentation for the leisure contract to:
 - Identify strong support for the payment of Living Wage in the contract;
 - Highlight the benefits that the Council believes this will provide;
 - Include evaluation criteria that measure the performance of bidders in areas where the Council believes benefits of paying the Living Wage will be demonstrated.
 - Amend the previous decision relating to the capped annual fee for the contract and raise this by £25,000 to £675,000 per annum

3.5 A project team including officers from Accountancy, Procurement, Legal Services, Corporate Health & Safety, Human Resources, Internal Audit, Environmental Health and Streets & Open Spaces was formed to provide oversight and expertise to the project. Sport England has supported the project as a critical friend.

3.6 In late 2011, the Council appointed consultants Strategic Leisure to assist and advise in areas of work to support the procurement process, including drafting the new specification and evaluating tender submissions.

3.7 The officers undertook extensive consultation with community groups, users and elected members to inform the new contract specification.

3.8 In September 2012, officers undertook a PQQ process to select 6 appropriately qualified contractors to be invited to the ITT stage.

3.9 The ITT was sent to the shortlist of 6 contractors at the end of December 2012. The date for return of tenders was Monday 18th March 2013. By this date, 3 tenders had been received.

4. The evaluation process

4.1 The project team, including Strategic Leisure, has undertaken a formal evaluation of tenders in accordance with the evaluation model, criteria, weightings and process set out in Cambridge City Council Leisure Management Contract ITT - Appendix One: Tender Evaluation Methodology, Annex A & Annex B.

4.2 The evaluation and subsequent award is based upon the tender which provides the most economically advantageous offer to the Council in accordance with the provisions in the ITT.

4.3 The Council has used a number of criteria to determine whether a tender is the 'most economically advantageous tender'. These were set out in the ITT and comprise:

- Proposals for delivery of services
- Technical capacity and experience
- Financial robustness of proposal
- Appropriateness and effectiveness of proposed systems and working methods
- Ability to achieve continuous improvement and financial savings
- Tender Price
- Investment levels and schemes for delivering savings on utility consumption
- Proposals for programming, pricing and increasing access for people on low incomes
- Management of any TUPE transfer; provision of staff training and development
- Community engagement, local responsiveness and marketing

4.4 Tender submissions have been evaluated on a 30:70 price:quality split basis. Of the submissions received from the ITT process, only those costing

the Council a management fee of £675,000 per annum or less have been accepted for further evaluation. This was a pass/fail criteria.

4.5 Scores for pricing were worked out using a model which gives the bidder submitting the lowest price for the management fee the full 30 marks; with the remaining bidders gaining pro-rata scores in relation to how much higher their prices were compared to the lowest price. Points for quality were awarded for each aspect of the submissions, using the framework detailed in the ITT. The weighting criteria detailed in Annex B was then applied and converted to give a final quality score.

4.6 In order to arrive at an overall score for tenders, the price score has been added to the quality score. All scoring has been carried out to two decimal places. This then gives a total score for each tender. The contractor with the highest total score is recommended to be awarded the contract.

4.7 Greenwich Leisure Limited submitted the lowest tendered price and therefore received the highest price score. GLL also received the highest score for quality. Some key features of the winning tender include:

- Significant capital investment into the facilities' energy management
- Significant capital investment in facility development to create a new gym for Parkside Pools on the first floor (replacing the current Health Suite) and extension to the existing gym at Abbey Pool.
- Dedicated exercise referral staff
- Strong on quality assurance and process management
- Outlined a bespoke apprenticeship scheme linked to staff training programme which, includes a London based College, links to FE colleges, and secondment opportunities

4.8 In November 2012, i.e. after the procurement process had begun, members raised the issue of the Living Wage in this contract. Following detailed consideration which included legal advice from Counsel, a decision to incorporate the following in the ITT was taken on 5 December 2012:

- Identify strong support for the payment of Living Wage in the contract;
- Highlight the benefits that the Council believes this will provide;
- Include evaluation criteria that measure the performance of bidders in areas where the Council believes the benefits of paying the Living Wage will be demonstrated.
- Amend the previous decision relating to the capped annual fee for the contract and raise this by £25,000 to £675,000 per annum

The ITT that was issued reflected this approach across a range of aspects, particularly in respect of the Quality of Staffing proposals. The ITT stated: *'...Tenderers are also required to consider the impact of paying LW and to provide details of how the contract may be affected if the Contractor*

*implements the LW. This element will not be part of the Tender Evaluation process.*¹

Unfortunately, none of the tenderers submitted a tender on the Living Wage basis, although two contractors did submit options for inclusion of this at additional cost. The Council may wish to consider further the issue of Living Wage in this contract in the future.

4.9 The approach to the Living Wage issue, both at ITT stage and at evaluation, followed advice from Counsel. Should members wish to explore this further, a resolution should be passed to go into private session, pursuant to s.100A and Schedule 12A of the Local Government Act 1972, on the grounds that exempt information is likely to be disclosed. The relevant paragraphs of schedule 12A are:

3. Information relating to the financial or business affairs of any person;
5. Information subject to legal professional privilege

4.10 Officers wish to record their thanks to the three contractors involved – each has undertaken significant work as part of this procurement exercise, and have impressed with their enthusiasm for the Cambridge contract.

4.11 Next steps.

After the decision at the Scrutiny Committee meeting on 25 June, the Council will formally notify the bidders of the result and will enter into a formal 10-day 'standstill' period. The purpose of the period is to provide bidders with feedback. Unless the decision is challenged, the Council will progress to award the contract after completion of the 10-day period.

5. Implications

(a) Financial Implications

- The available budget for the contract is £675,000 per annum plus inflation. The award of this contract to GLL could result in a saving to the Council of approximately £1,750,000 over the seven-year life of the contract.
- Specialist external financial advice has been taken to ensure that any capital investment by contractors, and any potential legislative changes on National Non Domestic Rate Relief does not have an adverse effect on the Council. Advice on VAT/VAT exempt income has been taken to ensure the contract does not have an adverse effect on the Council.
- The existing performance management framework introduced in April 2009 will be updated in line with the successful tender submission and

¹ 2.17 Invitation to Tender
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used to monitor performance of the new contract. Performance reports will be collated and circulated on a quarterly basis. As with the existing contract, the Council will have at its disposal a range of formal contract measures to address any areas of poor performance.

(b) Staffing Implications

GLL has confirmed that TUPE applies to this contract and will make the necessary arrangements with the current contractor to transfer affected staff. There are no implications for Cambridge City Council staff.

(c) Equal Opportunities Implications

An EQIA was completed and informed development of the specification.

(d) Environmental Implications

The Council anticipate a reduction in the cost of gas and electric consumption from the current baseline in the leisure management contract via investment in energy saving measures.

(e) Procurement

Covered in the report

(f) Consultation and communication

The three contractors have been informed of these recommendations.

(g) Community Safety

No implications

5. Background papers

None

6. Appendices

(CONFIDENTIAL) Appendix A – Summary of evaluation

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Debbie Kaye

Author's Phone Number: 01223 - 458633

Author's Email: debbie.kaye@cambridge.gov.uk