



To: Executive Councillor for Arts, Sport and Public Places: Councillor Rod Cantrill
Report by: Head of Arts & Recreation, Debbie Kaye
Relevant scrutiny committee: Community Services Scrutiny Committee 11/10/2012
Wards affected: All Wards

LEISURE MANAGEMENT CONTRACT 2013-2020 Key Decision

1. Executive summary

The Council's third leisure management contact will expire at the end of September 2013. A procurement process has begun to put in place management arrangements from this date for a period of at least 7 years. This report highlights progress, outlines feedback from consultation that has taken place and other issues that will influence the Council's contract specification.

2. Recommendations

The Executive Councillor is recommended:

2.1 To approve proceeding to the 'Invitation To Tender' (ITT) stage and release of contract specification documentation to the selected companies.

2.2 To approve the proposed principles underpinning the contract specification highlighted in sections 4.5-4.7.

2.3 To note the timetable for the remainder of the procurement process outlined in section 4.8.

3. Background

3.1 Background to leisure management in Cambridge

Cambridge City Council provides a broad and unique range of swimming 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 The City Council has had an external leisure management provider running the majority of its leisure portfolio for nearly 20 years. This began in 1992 when Empire Leisure Ltd was awarded consecutive contracts (LM1 and LM2) to run Abbey and Kings Hedges Learner Pool and the outdoor pools provision for 11 years. In October 2003 SLM Ltd was awarded a contract (LM 3) 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 utilisation 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. The extension was approved in January 2009 following an options appraisal and soft market test for best value. 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; this area remains a priority for future improvements (for example, the wish to install energy efficient boilers at a number of facilities).

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 (LM 4):

- 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

3.5 In late 2011, the Council appointed consultants Strategic Leisure to assist and advise in all areas of work required to support the procurement process, including drafting the new specification, evaluating tender submissions, and contract negotiations with any future provider.

3.6 In response to the resolution of the Strategy and Resources Scrutiny Committee meeting on 9th July 2012 ¹, the Council is exploring the implications of a living wage policy for the authority, and specialist advice is being obtained in this respect. It will only be possible to include such a requirement in the tender if the Council receives clear legal advice that it is permitted to incorporate such an option.

4.0 Progress on the procurement work

4.1 Consultation

A consultation plan to inform the new contract specification was outlined in the report to scrutiny in January 2012, and this has now been completed. The plan offered a variety of opportunities to seek feedback on performance of the current contract, and any future requirements. Sport England supported the Council through this process, which included a series of workshops and meetings with service users, stakeholders (such as the swimming and diving clubs, friends groups, and disability groups), Councillors and other Council officers. In addition, a specific survey was undertaken at Cherry Hinton Village Centre and an online questionnaire was promoted via the Council's website for feedback.

Some of the points raised from the consultation are as follows:

Abbey Pools

- Extended hours
- More outreach work to encourage greater usage by non-users
- Improve wet side changing facilities (size of cubicles, more privacy, better lockers)
- Improve pool disabled hoist provision
- Initiatives encouraging families and use of volunteers (for example at the café)

Parkside Pools

- Wider swimming lanes
- Address overcrowding
- Review programming balance for clubs/public use (views on both)
- Provision of National, Regional and local Galas for clubs/impact on other users
- Improve/address/update health suite area

Jesus Green

- Longer season, open more early mornings
- Open café facility more
- Explore eco heating
- Explore options to work with groups to extend use

¹ <http://www.cambridge.gov.uk/democracy/ieListDocuments.aspx?CId=159&MId=615&Ver=4>

Kings Hedges Learner Pool

- Improve privacy in changing areas

Cherry Hinton Village Centre

- More low cost activity
- Provide air conditioning in sports hall
- More community focused activity

Paddling Pools

- Increase season length/flexibility

The Council are working with its consultants, Strategic Leisure, to finalise the new specification based on the Council's requirements, best practice within the industry and the feedback from the consultation process.

4.2 Length of the contract

The Council's leisure management contract will be offered for a period of seven years, with the option to extend for a further three years. This is considered to be the minimum term that will enable the contractor to achieve a return on investment in the areas identified as priorities by the Council. This contract length mirrors the existing leisure contract period, where the option to extend was taken up for a further three years. Contracts for longer terms are usually associated with portfolios, which require large scale multi million pound capital refurbishments, or new build funding, neither of which the Council currently requires at this time within the leisure portfolio.

4.3 PQQ update

The PQQ is to select appropriately qualified, able contractors to be invited to the tender stage. The process looks at the operators themselves and their robustness for delivery of services. Advertisements for this contract were placed throughout August in "Leisure Management," the industry trade magazine and websites, it was also advertised on the Council website, and Source Cambridgeshire. There were over 20 expressions of interest logged through the advertisement period and 13 full submissions were returned by the due date in early September.

The PQQ required detailed returns in a range of topic areas. The completed submissions were distributed to officers in the Council with the appropriate experience to evaluate them.

4.4 The evaluations have identified the bidders best placed to facilitate the potential running of the Cambridge Leisure portfolio from October 2013 onwards. The PQQ stated that at least 6 companies would be taken forward

and following the robust assessment process, officers recommend that the top six scoring companies be progressed to the ITT stage.

4.5 Contract objectives

The contract specification will have the following objectives:

- To improve access to leisure facilities and services
- To reduce the carbon footprint of the service via a reduction in spending on utility consumption measured against the current usage baseline.

These overarching objectives are underpinned by two principles:

- Flexibility to enable the Council to respond to any future requirements relating to scope of the service provision or wish/need to respond to challenge/opportunities to develop local management arrangements.
- The need to deliver value for money whilst providing a good standard of service

4.6 Performance management

The existing performance management framework was introduced in April 2009 and will be updated and used to monitor performance of the new contract. Performance reports will be sent to the Council's Strategic Leadership Team (SLT) and elected members. As a minimum, the contractor will be required to operate the following performance measures to enable the Council to monitor performance against the contract objectives:

- Sport England Benchmarking survey – annually (monitors customer satisfaction trends, comparable costs, throughputs, engagement and participation against area population data)
- NI 185 – Utility Consumption
- Visits for swimming, pitch bookings and gym usage
- Quest Scores – Industry Quality Assurance Assessment of Leisure Management

As with the existing contract, the Council will have at its disposal a range of formal contract measures to address poor performance.

4.7 Pricing strategy

It is recommended that submissions are evaluated on a 30:70 price:quality split. We are able to emphasize quality in this way, as by setting a maximum contract cost, financial impact is largely controlled and will enable the submission to focus on aspects of service delivery. The current management fee enables a management approach that delivers a good standard of service and access across a wide range of service provision.

4.7.1 The contract price

a) Of submissions received from the ITT process, only those costing the Council a management fee of £650,000 (plus inflation using the Consumer Price Index -CPI) per annum or less will be accepted for further evaluation. This is a pass/fail criteria.

b) Scores for pricing will be allocated on a model, which will give the bidders submitting the lowest price the full 30 marks; with the remaining bidders gaining pro-rata scores in relation to how much higher their prices are compared to the lowest price.

c) The contract is therefore offered on a deficit guarantee basis, where the Council's liability is limited to the contract price plus a statutory contribution by the Council to National Non-Domestic Rates.

d) In their submissions, contractors will be required to identify the individual management costs for each site within the contract specification.

e) Specialist external financial advice is being taken to establish any impact of capital investment by contractors into the portfolio, and that any potential legislative changes on National Non Domestic Rate Relief do not have an adverse effect on the Council. Advice is also being taken on VAT/VAT exempt income to ensure the contract does not have an adverse effect on the Council.

4.7.2 Service Quality

70% of the overall tender score will be based on an evaluation of the overall quality of the bid. The assessment will focus on a number of areas, such as those identified below, that support delivery of the Contract Objectives:

- Contribution towards achievement of the Council's Vision Statement and the objectives identified in the Council's Sports Strategy.
- Contractor-led access/card scheme to replace use of Leisurecard – to target increased participation by people in receipt of low incomes
- Approach to Safeguarding (the Protection of Children and Vulnerable Adults) and monitoring and local reporting arrangements.
- Programming and opening times
- Potential for extended use of facilities and involvement by community groups/sports clubs/local people
- Delivery of Exercise Referral - to embed sustainability of the scheme and to extend provision across contract sites.

4.8 Timetable

- The project team will continue to finalise the specification during November
- The successful PQQ candidates will be sent an ITT in December
- Full submissions are required by the end of February 2013.
- Evaluation will take place during March and April 2013.
- A decision to award the contract will be taken at a special meeting of Community Services Scrutiny Committee in May 2013.
- Contract mobilisation period June-September 2013
- The new contract will begin 1 October 2013.

5. Implications

(a) Financial Implications

A saving on the current contract costs of £50,000 per annum will be included in the MTS from 2014/15 onwards (£25,000 for 2013/14).

(b) Staffing Implications

Specialist advice is being sought with regards to:

- a) Staff who TUPE transferred to SLM back in 2003, and still remain on Council terms and conditions, and have admitted body status for pensions
- b) The Exercise Referral scheme, which is awaiting clarification of future funding arrangements from the NHS. Currently the workforce for the scheme is engaged via the county sport partnership, 'Living Sport'.

(c) Equal Opportunities Implications

An EQIA has been completed and this along with further consultation has informed development of the specification.

(d) Environmental Implications +H

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

The release of the tender package to qualifying contractors from the PQQ returns is one of the final stages of the procurement exercise. As a "Part B" discretionary service a full EU procurement procedure is not required, but best principles of EU procurement are being adopted as part of this leisure management procurement process. Legal and procurement officers are part of the project team and will provide advice on the contract specification and evaluation processes. The decision to award the contract will be made at a meeting of the Community Development Scrutiny Committee in May/June 2013 as detailed in 4.8. A ten-day standstill period starting after notification of 'intention to award the contract' will be observed for this procurement exercise.

(f) Consultation and communication

As part of the process a detailed consultation programme has been carried out. This has included engagement with key stakeholders, members, and Sport England. An online survey was carried out, also a specific survey at Cherry Hinton Village Centre. Feedback from the consultation will inform delivery objectives within the contract specification.

(g) Community Safety

As part of the tender process, contractors will be asked to submit initiatives and outreach programmes to show how they would engage with local communities and agencies supporting community safety work.

6. Background papers None

7. Appendices None

8. 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