

EAST HERTS COUNCIL'S

COMMUNITY SCRUTINY COMMITTEE – 15 JANUARY 2008

REPORT BY HEAD OF COMMUNITY AND CULTURAL SERVICES AND  
THE DIRECTOR OF CUSTOMER AND COMMUNITY SERVICES

9. LEISURE CONTRACT SPECIFICATION

WARD(S) AFFECTED: All.

RECOMMENDATION - that (A) following agreement by the Executive of 18 December 2007 of the overriding principles to be applied to the tender of the leisure contracts, the Community Scrutiny Committee is further invited to consider the facility-specific detail as set out in the report below;

(B) the Community Scrutiny Committee recommends the approach as articulated for each of the three Lots, together with any amendments made following the Committee's deliberation, to the Executive of 29 January 2008; and that

(C) Community Scrutiny Committee recommends to the Executive, that these principles are included as the basis for the specification documents to be sent to prospective bidders at the end of January 2008.

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1.0 Purpose/Summary of Report

1.1 Following endorsement by the Executive of 18 December 2007 of the outline governing principles of the leisure tender specification and the desired outcomes, this report seeks to develop and define that approach. The continued aim is to achieve the best possible balance between value for money for the tax payer and a service that achieves the Council's desired outcomes for each of the three tender lots. The detail contained in section 4 of this report will provide the foundation for the invitation to bid documents which will be provided to tenderers at the end of January 2008.

2.0 Contribution to the Councils' Corporate Priorities/Objectives

## 2.1 **Promoting prosperity and well-being; providing access and opportunities**

*Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.*

## 3.0 Background

3.1 A report to the Corporate Business Scrutiny Committee (4 December 2007) and the Executive of 18 December 2007 set out the high level aspirations, objectives and outcomes desired from the tender for management of leisure facilities.

3.2 The overriding aspirations could be summarised as

- provision of facilities which support the delivery of the Council's priorities and cultural strategy, particularly,
- securing access to services for disadvantaged and vulnerable users
- where possible, reduce the levels of revenue subsidy required
- at the same time improving the quality of the offer available

3.3 In order to move the revenue subsidy position closer to the break-even ideal, a number of options were agreed;

- allow tenderers optimum commercial flexibility and freedom to develop programmes of use.
- allow tenderers optimum commercial flexibility and freedom around pricing decisions
- allow tenderers optimum commercial flexibility and freedom around times of opening to the public.
- where specified, invite tenderers to negotiate for a possible range of capital funded development options at the Council-owned facilities which improve the offer and reduce net subsidy

3.4 The extent to which each option will be pursued will depend on the facility(s) in question. To ensure the different required outcomes can be more easily and clearly articulated, the tender is being offered in three lots.

3.5 Any proposals, programmes and pricing regimes must however be consistent with the delivery of a range of specific contractual outcomes drawn from the Council's priorities and its Cultural Strategy. Specifically, tenderers will be invited to submit method statements to demonstrate how they will assist the Council to achieve

general and site/service-specific outcomes to include:

- discounted services for people on benefits
- Local Area Agreement targets around health and participation relating to specific age groups etc
- proposals how discounted services for young people during the holiday periods might be facilitated
- GP referrals and cardio vascular rehab programmes
- sports development (the contractor will be required to be or become a member of the new East Herts Active Sports Development Network and to provide a number of hours of development work (say, three) at each of the two main venues per week in accordance with the objectives of the Network)
- proposals for new programmes for more diverse audiences at Castle Hall, in particular artistic programmes, an annual pantomime and programmes that will appeal to young people
- proposals for a range of diversionary activities programme for young people
- a range of other requirements including, for example, biennial holistic surveys and the collection of qualitative and quantitative performance and management data, including all Council's adopted local performance indicators.

3.6 Tenders will be evaluated on a 50% price 50% quality basis.

#### 4.0 Report

##### **Process timetable and progress**

4.1 Following the invitation to the market to express interest in the three leisure lots:

Lot 1 - Hartham and Grange Paddocks together with children's activities

Lot 2 - The three joint use pools

Lot 3 - Castle Hall

Seven expressions of interest were received by the deadline of 14 December 2007 and these have been assessed by officers from a number of disciplines within the Council.

4.2 Six of the organisations that submitted an interest did so for all three lots. One declined to submit an interest for Lot 3. At the time of writing it is the intention that all seven organisations that submitted an

interest will be invited to tender, subject to further verification.

4.3 The timetable will then be as follows:

15 January 2008 Community Scrutiny Committee - approves tender process, timetable and specification design

29 January 2008 Executive - approves tender process, timetable and specification design

31 January 2008 - bidders invited to tender

February 2008 - three year capital programme submitted for approval to Council's

31 March 2008 - tender return deadline

25 April 2008 - evaluation of first stage tenders

28 April 2008 - invitation to selected tenderers to proceed to second stage negotiation

10 June 2008 - best and final offers submitted

20 June 2008 - selection of preferred bid

Community Scrutiny and Executive approvals to be obtained – dates to be confirmed.

30 June 2008 - execute contracts

1 October 2008 - contract starts

4.4 Since the last report (see paragraph 3 above) the Capital Strategy Group of 13 December 2007 considered the specific issue of potential capital investment of up to £5m. The consideration was that such funds might be employed to deliver improvements to the facilities and/or reduce the net revenue cost subsidy of the service. The Capital Strategy Group recommended funds to be made available for an investment of up to £3.84m. The funds to be used for the development and refurbishment of the three East Herts Council's owned sites (Hartham, Grange Paddocks and Castle Hall) as per the options set out in Appendix A (pages 9.11 to 9.19) to this report.

## **Progress on development of the design of the specification - by Lot**

### 4.5 Lot 1- consisting of

- Hartham - pool, gym, eight football pitches, four tennis courts, two bowling greens and pitch and put
- Grange Paddocks – pool, gym and thirteen football pitches,

4.5.1 The focus of the approach to Lot 1 will be on developing these two Council-owned leisure facilities to achieve an improved quality product at a lower subsidy requirement from council tax payers.

4.5.2 Hartham and Grange Paddocks, located at Hertford and Bishop's Stortford respectively provide leisure and sporting facilities for the West and the East of the district.

4.5.3 There are a number of alternative providers of sport and leisure facilities operating in the district on a profit-making basis. As Council-owned and Council-run facilities, Hartham and Grange Paddocks provide relatively low cost access for schools, clubs and individuals to a variety of sporting activities. The price charged to schools and individual service users is subsidised by all council tax payers. It is believed that changes to pricing structure and levels are possible which would reduce subsidy required while still being significantly less than commercial operations. Access for the disadvantaged would be protected by special pricing arrangements for such individuals.

4.5.4 There is an expectation that capital spent on these two facilities would be likely to have the most benefit in terms of enhancing the quality of the facility to users and being able to contribute to a reduced subsidy. Appendix A (pages 9.11 to 9.19) sets out a number of costed options for investment up to a maximum of £3,762,500 (representing the combined total of priority 1 and 2 options for both facilities). These options have been endorsed by the Council's Capital Strategy Group and Capital Strategy Group is recommending that this sum - together with £85,000 for Castle Hall as referred to in paragraph 4.7.7 C below, (making a total of £3.84 million) is included in the Council's four year capital programme with initial spend profiles of £1m in 2009/10 and £2.84m in 2010/11. Should this capital programme be subsequently agreed by Executive and Full Council then the approach taken will be to offer bidders/tenderers the opportunity to demonstrate how they would make the various elements work to enhance the facilities and reduce the revenue subsidy to the council tax payer. This might be done, for example, by extending and developing the economically viable, income generating elements of the gyms, changing rooms and other dry-side activities.

- 4.5.5 The programme of potential investment would be used creatively and flexibly drawing on the experience and commercial acumen of the providers; all or only selected elements of the programme would be deployed depending on the response of the market.
- 4.5.6 Currently the Council does not use a peak/non peak pricing option but rather deploys a concessionary rate (as set out in Appendix B page 9.20 applicable across the programme. Tenderers will be invited to consider whether they would recommend the introduction of a peak/non peak structure. Similarly, tenderers will be required to submit a statement on the potential introduction of a leisure card or similar for East Herts residents allowing a concessionary rate.
- 4.5.7 The original outline specification for this lot includes children's play activities. Tenderers will be asked to provide a solution that will break-even. Access by people on benefits and other disadvantaged groups would also need to be catered for.
- 4.5.8 Tenderers will also be required to submit a method statement that will demonstrate how they could develop use of the football and other open space areas to provide sports development opportunities and special events.
- 4.5.9 It is recommended that the organisations invited to tender will be asked to submit:
- A) A best price for running the facilities in accordance with current prices and programmes, as set out in Appendix C (pages 9.21 to 9.26).
  - B) An improved best price for running the facilities, together with proposals for the amended programme required to deliver the improved price. The proposals will be limited to a change of any element of the price and programme by no more than 25%. Tenderers will be requested to submit method statements to describe how any proposed amendments to the current pricing and programming (within the 25% limit) will be consistent with assisting the Council to achieve the outcomes set out in section 3. Tenderers will also be required to produce a method statement on how they would develop special events at the facilities (e.g. outdoor music festivals, firework displays etc.)
  - C) An improved best price for running the facilities as at B) above, but with the added benefit that might be achieved by

incorporating some or all of the elements for potential capital investment as set out in Appendix A pages 9.11 to 9.19) or any other proposals for the use of capital which they believe would help deliver better value to the Council. Method statements will be required to demonstrate how such developments (e.g. expanded gyms and other new facilities) would improve the services available, improve accessibility for the community or increase income thus reducing the Council's revenue subsidy.

D) Prices and programmes for a break-even delivery of summer children's play activities.

4.5.10 It is recommended that subsequently the contractor be invited to annually recommend revised programmes and prices by up to 10% variation, subject to compliance with submitted method statements and the Council's approval.

4.5.11 Members are reminded that any potential built development of these facilities would be conditional on planning consent being granted.

#### **4.6 Lot 2- consisting of three joint use school/Hertfordshire County Council's Pools**

4.6.1 The focus of the approach to Lot 2 will be to establish the Council's lowest cost option. Capital investment is not proposed for the three Hertfordshire County Council/school owned sites.

4.6.2 The three school pool facilities were built in the seventies and the agreements between the County Council and East Herts Council are for sixty years. The context of the leisure offer in the district has changed substantially since the original agreements were established.

4.6.3 A recent Planning Policy Guidance study (PPG17) established that was now an over-supply of swimming pools in the area. Currently East Herts Council contributes substantially more subsidy towards running these facilities than the County Council or the schools. The schools have by far the greater use of the pools during term time and retain income earned during the school use periods. Tenderers will be provided with copies of the three joint-use agreements.

4.6.4 It is recommended that the organisations invited to tender will be asked to submit:

A) A best price for running the facilities in accordance with

current prices Appendix C (pages 9.21 to 9.26) and programmes, as set out in Appendix D (pages 9.27 to 9.29).

B) An improved best price for running the facilities, together with proposals for the amended programme required to deliver lower cost to the Council. The proposals will be limited to a change of any element of the price and programme by no more than 25%.

C) The tenderers will also be asked to look afresh at the existing operational and staffing arrangements and include any appropriate changes which in their view would reduce the total cost to the Council tax payer.

#### **4.7 Lot 3 – Castle Hall**

4.7.1 The focus of the approach to Lot 3 will be on developing new offers, audiences and uses for the venue within a given cost envelope.

4.7.2 Castle Hall provides a unique facility for cultural activities in the centre of Hertford town. There are limited alternative venues for some of the productions or events which add to the cultural offer of the district by being presented at Castle Hall. Was Castle Hall not to be provided by the Council it is considered most unlikely that a commercial operator would materialise to fill the gap.

4.7.3 The Council's Cultural Strategy 'Culture For All' identifies a development approach for this facility that engages in partnership work with the private and public sector alike. Tenderers will be invited to submit a method statement that identifies how they tap this potential resource and how links will be developed particularly with other providers. The approach will be to seek to re-invigorate the facility as a venue for the development of cultural activities.

4.7.4 Tenderers will be invited to submit method statements that will demonstrate how they will achieve an improvement of the programme (as presented in Appendix E (pages 9.30 to 9.44)). An improved programme in this context will be one that delivers more variety of productions and finds and reaches new audiences. The Council will particularly be looking for proposals for new (to Castle Hall) products and the development of a wider artistic programme. The Council will particularly welcome proposals that specifically develop the engagement of and use of the facility by young people (as individuals, groups and schools).

4.7.5 Included within that method statement will be a recommendation as to the best commercial balance between, on the one hand, using the facility as a hall for hire and, on the other, use as a promotional entertainment and arts venue.

4.7.6 Tenderers will be requested to submit a method statement showing a plan to optimise the use of the venue to as close as possible to its maximum capacity within a given cost envelope.

4.7.7 It is recommended that the organisations invited to tender will be asked to submit:

A) A best price for running the facilities in accordance with current hall-hire charges as set out in Appendix E (pages 9.30 to 9.44), together with a method statement setting out how the cultural offer will be improved

B) An improved best price for running the facilities, together with a method statement setting out how the cultural offer will be improved but including proposals for changes to hall hire charges and availability required to deliver the improved price. The proposals will be limited to a change of any element of the price and programme by no more than 25%.

C) An improved best price for running the facilities as at B) above, but with the added benefit that might be achieved by incorporating some or all of the elements for potential capital investment, up to £85,000 - representing the total of options 1 and 2 - as set out in Appendix A (pages 9.11 to 9.19), or any other options for internal and external refurbishment which might make the venue more attractive and commercially viable. Method statements will be required to demonstrate how such developments would improve the services available, improve accessibility for the community or increase income thus reducing the Council's revenue subsidy.

## 5.0 Consultation

5.1 Extensive consultation through the development of the Cultural Strategy.

5.2 The Union and staff will be consulted on workforce matters as part of the procurement process.

## 6.0 Legal Implications

6.1 Legal implications to be addressed throughout the process.

## 7.0 Financial Implications

7.1 To be addressed through the tendering process.

## 8.0 Human Resource Implications

8.1 To be addressed throughout the process.

## 9.0 Risk Management Implications

9.1 To be addressed and managed as part of the project plan.

### Background Papers

Report to Community Scrutiny Panel – 4 December 2007  
East Herts Cultural Strategy 2007/2012.  
East Herts Community Strategy Action Plan and LAA Targets.

Contact Member: Executive portfolio holder for Community Development, Leisure and Culture - Cllr. Linda Haysey.

Contact Officers: Will O'Neill, Head of Community and Cultural Services.  
George A Robertson, Director of Customer and Community Services

- Appendix A - Outline proposals for capital investment options
- Appendix B – Concessionary rates applying to all pools and gyms
- Appendix C - Current prices for all pools and gyms and programmes for Hartham and Grange Paddocks(as at 1 January 2008)
- Appendix D – Programmes for the three joint use pools and gyms
- Appendix E – Castle hall fees, charges and programmes