

EAST HERTS COUNCIL

EXECUTIVE – 8 OCTOBER 2019

REPORT BY THE EXECUTIVE MEMBER FOR WELLBEING AND THE
DEPUTY LEADER & EXECUTIVE MEMBER FOR FINANCIAL
SUSTAINABILITY

LEISURE OPERATOR CONTRACT AWARD

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To conclude the re-procurement of the leisure operating contract and agree the award for the operation of Hartham and Grange Paddocks leisure centres and Ward Freman pool & gym, for the period 1 January 2020 to 31 December 2034 (fifteen years), with the ability to extend for a further five years.
- To agree the award for the operation of Leventhorpe Pool & Gym and Fanshawe Pool & Gym for the period 1 January 2020 to 31 December 2024 (five years).

<u>RECOMMENDATIONS FOREXECUTIVE : That:</u>	
(A)	Executive approve that the leisure operating contract, for the operation of Hartham Leisure Centre, Grange Paddocks Leisure Centre and Ward Freman Pool be awarded to the recommended tenderer as the most economically advantageous bid; for the period 1 January 2020 to 31 December 2034 (with the ability to extend for an additional five years), following a full EU competitive dialogue process in accordance with the Public Contract Regulations 2015 (PCR 2015);
(B)	Executive approve that the operation of Leventhorpe Pool & Gym and Fanshawe Pool & Gym for the period 1 January 2020 to 31 December 2024 is included in the contract;

(C)	Executive approves delegation to the Chief Executive in consultation with the Head of Strategic Finance & Property and Head of Legal and Democratic Services to enter into a contract with the recommended Tenderer and make any minor amendments to clarify, specify and optimise the contract that should be required as part of the competitive dialogue.
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1.0 Background

1.1 The current leisure operating contract commenced on the 1 Jan 2009 for ten years, and was extended for an additional year through to 31 December 2019 to enable the re-procurement process to be undertaken.

1.2 Historically this contract has required a management fee to be paid by the council to the operator, however with the capital investments underway to refurbish Hartham leisure centre and replace Grange Paddocks leisure centre, this contract will now deliver a net management fee payment to the council over the course of the contract.

1.3 The re-procurement process commenced in 2016 with work undertaken by the Leisure Task & Finish group, at the request of the former Community Scrutiny Committee, to provide advice to officers on the development of a leisure strategy aimed at determining the future of leisure facility provision and services over the next 10 years.

1.4 In July 2017, Council approved the following recommendations:

RESOLVED – that (A) the views of the Overview and Scrutiny Committee and the recommendations of the Executive, be noted;

(B) investment and development for Grange Paddocks as reflected in paragraph 4.8 of the report submitted, including costs for the submission of outline planning permission, be

approved;

(C) investment and development for Hartham Leisure Centre as reflected in paragraph 4.8 of the report submitted, including costs of the submission of outline planning permission, be approved;

(D) investment and development for Ward Freman as reflected in paragraph 4.8 of the report submitted, be approved;

(E) public consultation and further investigation of the options for Fanshawe Pool and Gym are carried out and a report is presented in October 2017;

(F) public consultation and further investigation of the options for Leventhorpe Pool and Gym are carried out and a report is presented in October 2017;

(G) the Design, Build, Operate and Maintain model for Grange Paddocks Leisure Centre, be approved;

(H) the Design, Build, Operate and Maintain model for Hartham Leisure Centre, be approved;

(I) the leisure operating contract (with minor works included) model in respect of Ward Freman Centre, be approved; and

(J) subject to funding approval, delegated authority to make decisions relating to the leisure development projects is provided to the Executive Member for Health and Wellbeing with the support of a leisure project board. The board will consist of the Executive Members of Health and Wellbeing and Finance and Support Services, the Head of Operations, the Chief Finance Officer, Monitoring Officer and a Director.

1.5 A further set of recommendations were approved by Council in

October 2017:

(A) Agree that the Council will commit to acting as a facilitator to help Chauncy School and Leventhorpe School explore alternative ways to maintain their leisure facilities;

(B) Note that bidders will be invited to submit variant bids for the new leisure contract to include options for the future operation of Fanshawe and Leventhorpe Pools and Gyms should long term Council funding be unviable;

(C) Note that the operational delivery of Fanshawe and Leventhorpe Pools and Gyms is included in the new leisure contract specification for up to 5 years, subject to each School's ability to contribute 40% of all costs; and

(D) Subject to the outcome of (A) and (B), agree that the decisions on capital funding for Leventhorpe and Fanshawe Pools and Gyms is considered post tender evaluation.

- 1.6 In July 2018, Executive approved that the Design, Build, Operate and Maintain (DBOM) model be separated into Design and Build (D&B) projects for Hartham and Grange Paddocks leisure centres and a separate leisure operator procurement process be undertaken in parallel with the D&B schemes, and this report concludes the leisure operator procurement aspect.
- 1.7 The procurement exercise was carried out by the council with specialist consultancy support due to the level of expertise required
- 1.8 The contract was advertised through the Official Journal of the European Union (OJEU) process in accordance with PCR 2015.
- 1.9 Procurement documents were produced and the procurement process commenced on 22 October 2018, concluding with the submission of final tenders on 29 July 2019, followed by a final evaluation and moderation process.

1.10 With regard to the October 2017 recommendations; variant bids were requested as per recommendation (B). The bid for Fanshawe Pool & Gym required a net management fee to be paid to the operator over the 15 year contract term and the evaluation panel therefore discounted this option as unviable.

1.11 A variant bid for Leventhorpe was not received due to the assessment that it could not offer a viable proposition in the longer term.

2.0 Report

2.1 The weighting criteria applied to the final evaluation was 50% price and 50% quality.

2.2 The procurement process required the provision of written quality method statements relating to the specific contract requirements, in addition to detailed financial submissions.

2.3 *The Final Scores*

2.3.1 The evaluation panel considers that the submission from the recommended tenderer represents a proposal that closely aligns with the council's objectives and requirements and is from a contractor with the appropriate experience, capacity and resources to deliver it.

			Preferred Tenderer	
	Evaluation criteria (1,2 & 3 score 1-10)	% weighting	SCORE	Total Score
1	Payment Management fee – contract total.	25%	N/A	10.0%
2	Viability of business plan	10%	7	7.0%
3	Capital Costs – Ward Freman Pool and Gym and FFE	5%	8	4.0%
4	Other legal and commercial proposals including Profit Sharing Proposals (Score 0-5)	10%	4	8.0%
		50%		29.00%
			Preferred Tenderer	

	Evaluation criteria (all score 0-10)	% weighting	SCORE	Total Score
1	Management during the Construction Approach	5.0%	8	4.0%
2	Meeting Authority's Strategic Outcomes	10.0%	9	9.0%
3	Pricing	5.0%	8	4.0%
4	Facility management	10.0%	8	8.0%
5	Marketing and Communications	5.0%	8	4.0%
6	Staffing and Volunteering	5.0%	8	4.0%
7	Quality Operations including the catering offer	10.0%	8	8.0%
		50.00%		41.0%

(Note – The ‘payment management fee is calculated against the target surplus).

2.3.2 Based on the information provided in this report, it is recommended that Executive approves that the council enters into a contract award to Tenderer A. Details of the contract will be able to be viewed from the contracts register on the East Herts Council website, after contract award.

2.3.3 The procurement timeframe allows for mobilisation of the new contract prior to the contract start date.

2.4 *Headline enhancements*

The new contract will deliver an enhanced service including:

- A net management fee payment to the council over the term of the contract (which will cover the financing costs and provide a surplus to the authority).
- Increased participation growth from 846,200 to 1,222,506 annual visits.
- The inclusion of a circa 27 station gym at Ward Freman, with a target to attract 535 members by the end of contract year 3, supporting an overall increase in participation of 25,041 at the facility. The capital works required to achieve this will be funded from the previously agreed budget of £900k and the works will

be undertaken by the operator (in consultation with the council, the School and HCC).

- Introduce a 'swim only' membership at Hartham and Grange Paddocks to provide a lower cost alternative to the full fitness membership.
- The concessionary pricing to increase from age 60 to 65 for new members, with the age concession band for young adults extending from 16 to 24.

Additional information can be found in **Essential Reference Paper B (which is exempt from publication)**.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

Report no. 100 to Executive, 17 July 2018:

<http://democracy.eastherts.gov.uk/ieListDocuments.aspx?CId=119&MId=3379&Ver=4&J=2>

Report no. 218 to Council, 18 October 2017:

<http://democracy.eastherts.gov.uk/ieListDocuments.aspx?CId=158&MId=2878&Ver=4&J=5>

Report no. 114 to Council, 18 July 2017:

<http://democracy.eastherts.gov.uk/ieListDocuments.aspx?CId=158&MId=2877&Ver=4&J=3>

Contact Members: Eric Buckmaster – Executive Member for Wellbeing

Eric.Buckmaster@eastherts.gov.uk

Geoff Williamson – Deputy Leader & Executive

Member for Financial Sustainability

Geoff.Willamson@eastherts.gov.uk

Contact Officer:

Isabel Brittain – Head of Strategic Finance and Property and Interim Head of Operations, ext 2050

Isabel.Brittain@eastherts.gov.uk

Report Author:

Steven Dupoy – Leisure & Environment Service Manager

Steven.Dupoy@eastherts.gov.uk