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| Subject: | Sports Facilities Management Contract | | |
| Date of Meeting: | 9 December 2010 | | |
| Report of: | Strategic Director - Communities | | |
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| Key Decision: | Yes | Forward Plan No: | CAB18395 |
| Wards Affected: | All | | |

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report provides Members with information relating to the outcome of the procurement process to seek an external operator to manage council sports facilities.
- 1.2 The report sets out the current management arrangements and the tender process including evaluation.

2. RECOMMENDATIONS:

- 2.1 That Cabinet awards the contract to Freedom Leisure to manage the following council sports facilities for an initial period of ten years (with an option to extend by up to a further five years) commencing 1 April 2011:
 - Prince Regent Swimming Complex & Old Slipper Baths
 - Withdean Sports Complex
 - Moulsecomb Community Leisure Centre
 - Stanley Deason Leisure Centre
 - St Luke's Swimming Pool
 - Saunders Park, The Level and Seafront Paddling Pools
 - King Alfred Leisure Centre, Hove Lagoon Paddling Pool and Kingsway Multiplay

3. RELEVANT BACKGROUND INFORMATION:**Current management arrangements**

- 3.1 The current sports facilities management contract commenced in April 2004 and was awarded to DC Leisure who have been operating all of the facilities listed above apart from the King Alfred Leisure Centre, Hove Lagoon Paddling Pool and Kingsway Multiplay.

- 3.2 The King Alfred Leisure Centre was not included in the current contract because of its planned redevelopment. The redevelopment subsequently did not take place and the management of the King Alfred Leisure Centre remained 'in-house'. A condition survey of the buildings and plant was undertaken in October 2008 which highlighted a series of urgent works and £1.5 million was allocated to ensure the building remained operational. A further £0.75 million has also been made available for improvement works.
- 3.3 The length of the current contract with DC Leisure is five years with the option to extend for an additional two years ending on 31 March 2011. This option was taken up following satisfactory performance and a positive working relationship between DC Leisure and the council.

Tender process

- 3.4 The council carried out soft market testing with four management operators in order to learn more about the current market and to gauge opinion on the potential length of contract and the potential inclusion of the King Alfred Leisure Centre in the contract.
- 3.5 Whilst there are no specific minimum or maximum terms of contract, the soft market testing showed that operators are generally working on contracts of between five and fifteen years. Many local authorities require capital investment in their facilities and the length of contract will often determine how much the operator is prepared to invest. A longer contract is likely to attract more capital investment because the operator is more likely to see a return on this investment. This is borne out through recent experience with the golf courses contract which is a ten year contract (with the option to extend for two further years.)
- 3.6 All of the operators suggested that the King Alfred Leisure Centre should be included as part of the contract in order to provide a more co-ordinated approach to leisure provision across the city. The current mix of contracted and 'in-house' provision is fragmented and does not allow for consistency of pricing and service levels across the sites.
- 3.7 Since the current contract began in 2004 the sports facilities management market has changed considerably. Social enterprise leisure trusts are more strongly represented within the market and benefit from savings through relief from business rates and VAT. There have been significant increases in gas and electricity prices which have had a large impact upon the running costs of sports facilities (particularly those with swimming pools.) There will also be a loss of income as a result of Brighton & Hove Albion FC moving from Withdean Stadium to Falmer. By going out to tender the council was able to test the market to see exactly what impact these factors would have upon the future management of these facilities.
- 3.8 The Cabinet Member for Culture, Recreation & Tourism agreed at the Cabinet Member Meeting on 15 June 2010 for officers to undertake a tender process to seek an operator for a new 10 year management contract (with an option to extend for a further period of up to five years) and to include the King Alfred Leisure Centre in the tender process as a separately priced element of the wider contract. By inviting bids that show the King Alfred Leisure Centre as separately priced, officers have been able to test the market and make a recommendation

based on the financial and qualitative benefits of these bids without committing to its inclusion within the contract.

- 3.9 It was also decided that if the King Alfred Leisure Centre was to be included then the contract would be structured in such a way that it could be removed if it is closed for redevelopment. This would therefore not inhibit or delay the council's ability to progress the future redevelopment of the facility.
- 3.10 Expressions of Interest were invited and a total of eleven organisations submitted Pre-Qualifying Questionnaires. Following evaluation of the Pre-Qualifying Questionnaires, six organisations were shortlisted and invited to submit a full tender. Of these, two were private leisure management companies and four were not for profit leisure trusts/social enterprises.
- 3.11 Members of the Culture, Tourism & Enterprise Overview & Scrutiny Committee took part in a successful workshop with officers on 27 July 2010 to discuss some key questions relating to the tender process and to help inform the specification for the new contract.
- 3.12 The Invitation to Tender document was issued to the six shortlisted organisations on 13 September 2010. Of these six, two decided not to submit a tender and another two decided to submit a joint bid which resulted in a total of three bids being evaluated.

Tender Evaluation

- 3.13 The tenders were evaluated by members of the Sports Facilities Contract Project Team including:

Sports Facilities Manager
Sports Facilities Officers (x2)
Senior Procurement Advisor
Head of Financial Services and Environment Accountant

In addition, advice on specific areas of the tenders was provided by:

Commissioner – Sport & Leisure
Contract Lawyer
HR Business Partner and Head of People Centre
Property & Design

- 3.14 The tenders were evaluated using the two main criteria of Price (45%) and Quality of Service (55%). Each criteria was scored as per the weighting below and then converted into an appropriate percentage total score for each tender bid.

3.15 Price Evaluation Criteria (45%)

| Price | Weightings |
|---|------------|
| <i>Management Fee (10 year average)</i> | 70 |
| <i>*Sustainability of Income Projections</i> | 15 |
| <i>*Sustainability of Expenditure Projections</i> | 15 |

3.16 The majority of the weighting was on the Management Fee which is the annual fee that the council pays to the contractor to operate the facilities. The sustainability of each bid's income and expenditure projections was also evaluated. This was based on a comparison between these projections and the actual income and expenditure of the facilities for 2009/10. Other factors were also taken into account as part of the sustainability review including market trends, capital proposals, improved marketing and other service improvements.

3.17 Quality Evaluation Criteria (55%)

| Quality Criteria | Weightings |
|---|------------|
| <i>Account Management, Staffing & Resources</i> | 15 |
| <i>Sports & Physical Activity Development Proposals</i> | 15 |
| <i>Customer Care & Quality</i> | 12 |
| <i>Marketing & Programming</i> | 12 |
| <i>Maintenance</i> | 8 |
| <i>Pricing</i> | 5 |
| <i>Health & Safety</i> | 8 |
| <i>Sustainability</i> | 5 |
| <i>Information Technology</i> | 5 |
| <i>Innovation / Capital Investment</i> | 15 |

3.18 Tenderers were asked to provide detailed information relating to each of these Quality criteria. This information was then evaluated and scored according to how well each section met the requirements of the specification.

3.19 Tenderers were also invited to submit options including capital development proposals designed to enhance the facilities, improve the service and increase participation.

3.20 Results of the evaluation process are set out in Part 2 of the report.

Preferred Bidder - Freedom Leisure

3.9 Freedom Leisure is a leading community leisure trust or not for profit social enterprise originally founded in 2002 to operate a range of facilities in Wealden District Council. They have since successfully expanded and now operate a total of eighteen facilities for Wealden, Crawley Borough Council, Mid Sussex District Council, Hastings Borough Council and Rother District Council.

3.10 Freedom Leisure's vision is to provide inclusive and affordable leisure facilities to improve the health and wellbeing of local communities. It aims to fulfil this vision through the development of strong partnership links with communities and through reinvestment into the facilities that they operate.

3.10 In the evaluation of the Quality criteria, Freedom Leisure's bid scored particularly highly in Marketing, Customer Care, Sustainability, Health & Safety, I.T and innovation. The bid also showed a clear commitment to helping meet the seven key outcomes of Brighton & Hove City Council's Sport & Physical Activity Strategy.

3.11 Some of the key added value proposals in the bid are listed below:

- Appointment of Community Sports Development Officer whose role will be to increase participation, widen access and promote healthy living through increased community engagement.
- A commitment to support the introduction of a Leisure Card Scheme designed to increase access to the facilities by providing discounts to residents in receipt of certain state benefits.
- Significant investment in the first year of the contract in energy saving measures to help reduce the carbon footprint of the facilities.
- Installation of new fitness equipment across the facilities in the first year of the contract.
- Provision of new 'Wii Fit' rooms to help promote the engagement of young people in physical activity.

4. CONSULTATION

4.1 Consultation has taken place with staff at the King Alfred Leisure Centre who would transfer under TUPE to a new operator. Trade Unions have also been involved with this consultation.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 The financial analysis undertaken as part of the tender evaluation demonstrates that the successful contractor is most likely to provide the best value for money

as set out in the part 2 report. A full financial summary is detailed in the part 2 report.

Finance Officer Consulted: Patrick Rice

Date: 26/11/10

Legal Implications:

- 5.2 Officers have undertaken an approved procurement process. As the contract value exceeds £75,000 it must be in a form approved by the Head of Law.
- 5.3 Leases of the facilities to run concurrently with the contract will be granted as appropriate. In the case of the King Alfred Leisure Centre there will be a break clause in the lease linked to redevelopment.
- 5.4 The addition of King Alfred Leisure Centre to the list of facilities to be managed by the contractor will trigger the need for a transfer of staff in accordance with Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

Lawyer Consulted:

Bob Bruce

Date: 25/11/10

Equalities Implications:

- 5.5 The operation of sports facilities that are accessible to all sections of the community are important to increase participation and subsequently improve health and wellbeing. The contract specification requires the preferred bidder to provide a service that promotes equality of access through a balanced programme of activities and a concessionary pricing scheme.

Sustainability Implications:

- 5.6 The operation of sports facilities that minimise energy consumption are important to help reduce the carbon footprint of those facilities. The contract specification requires the preferred bidder to establish best practice in environmental management through the development of an annually updated Environmental Management Plan which is approved and monitored by council officers.
- 5.7 As part of the procurement process tenderers were asked to provide details of how they would demonstrate best practice in environmental management and also to provide investment proposals designed to help reduce energy consumption. This was evaluated as part of the process and tenders were scored accordingly.

Crime & Disorder Implications:

- 5.8 Increasing participation in sport and physical activity is recognised as having a positive effect on reducing crime and anti-social behaviour in young people.

Risk & Opportunity Management Implications:

- 5.9 Officers have undertaken a full and approved tender process to ensure that the preferred tender offers the best value for money for the council.

- 5.10 The operation of the facilities will be closely monitored by the council to ensure that the requirements of the specification and contract are met.

Corporate / Citywide Implications:

- 5.11 The operation of facilities that help increase participation in sport and physical activity and widen access will help to meet the outcomes of the council's Sports and Physical Activity Strategy.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 A range of options were evaluated as part of the procurement process to ensure best value for money for the council.
- 6.2 Officers undertook a soft market testing exercise prior to the procurement process to gain a greater understanding of the sports facilities market.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The evaluation of the tenders has concluded that Freedom Leisure's is the most favourable to the council and that they would be best suited to operate the facilities for the term of the contract.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

1. Culture, Recreation & Tourism CMM - The future management arrangements of Council sports facilities
2. Culture, Tourism & Enterprise OSC – Notes from CTEOSC Workshop on Sports Facilities Management Contract

