

Scrutiny committee report

Report of head of economy, leisure and property

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To: SCRUTINY COMMITTEE

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2014 leisure management contract

RECOMMENDATION

That the committee notes the update on the process and proposed timescales for the procurement of the 2014 joint leisure management contract.

PURPOSE OF REPORT

1. The report provides an overview of the process and timescales for the procurement of the 2014 joint leisure management contract.

STRATEGIC OBJECTIVES

2. The procurement of the 2014 joint leisure management contract will contribute towards the Vale Council achieving its strategic objectives in the following areas:
 - excellent delivery of key services: deliver high performing services with particular emphasis on ensuring good quality sports and leisure provision
 - effective management of resources: reducing energy usage throughout the council's operations and continue to work in partnership with South Oxfordshire District Council to extend the sharing of services and all resources.

BACKGROUND

Current situation

3. Currently there are four leisure management contracts across South Oxfordshire and Vale of White Horse:

Vale

2002 – 2012 contract with DC Leisure, sub-contracted to Active Nation, for the management of the White Horse Leisure and Tennis Centre. This contract was extended until 2014 to run coterminously with the other contracts. The Vale Council receives a management fee from the extension of this contract.

2004-2014 contract with Soll (Vale) for the management of Faringdon and Wantage Leisure Centres and Tilsley Park. The Vale Council pays a management fee to the contractor for this contract.

2011-2014 contract with Soll (Vale) for the management of Abbey Meadows Outdoor Pool. The Vale Council pays a management fee to the contractor for this contract (which is funded by Abingdon Town Council).

South

2009-2014 contract with GLL for seven sites (including an outdoor pool and camp site) from which the council receives a management fee.

4. The existing leisure management contracts range in length between five and twelve years. Five years is exceptionally short for this type of contract but the timeframe was agreed specifically in order to create the opportunity of exploring the potential for a shared contract in 2014. Ten years has traditionally been a common term, although it is not unusual for contracts seeking significant investment from the contractor to be for 25 years or longer. The preferred length of the 2014 contract is one of the initial decisions that will need to be decided prior to publishing the OJEU notice later this year.

PROJECT MANAGEMENT

5. The procurement process will be led for the councils by the leisure projects officer. An appointment has not been made to this post after the first interviews. A further candidate has been invited for an interview later in September. In the meantime, the leisure manager will continue to drive the project forwards.
6. The leisure projects officer will be supported by FMG, specialist finance and procurement management consultancy company that focuses on providing business and commercial solutions in these procurement processes, and both internal and external legal support as required. This group will form the project team with input from the leisure manager, head of economy, leisure and property, and officers from other services as and when required. Officers are working with FMG and collating key information.
7. A joint project board is being established, based on the joint waste contract model. This group will comprise of the strategic director and head of economy, leisure and property, South and Vale cabinet members, a backbencher from the ruling group (who is also a member of scrutiny committee) and a member of the opposition from each council. The project board will meet at agreed milestones in the project to discuss key decisions.
8. Cabinet decisions will be required to agree the shortlisted bidders and to award the contract. Individual cabinet member decisions will be required to agree the specification. Scrutiny committee will have the opportunity to receive updates from its representative on the joint project board.

OVERALL OBJECTIVES FOR THE 2014 JOINT LEISURE MANAGEMENT CONTRACT

9. Leisure management contracts have changed in style considerably over recent years, moving away from the prescriptive style of the 1990s to a far more flexible approach that is better equipped to adapt to changes in the needs of councils and their residents.
10. The aim of the 2014 procurement process is to agree a joint contract (subject to formal decision) that not only offers an attractive proposal at the time of submission but is also flexible enough to continue to meet the needs of the councils' in years to come. Officers consider that a joint contract will be attractive to contractors, given the number of leisure facilities to be managed, our location in relation to other leisure management contracts and the councils' track record of joint working and joint contracts, and will provide the councils with the best opportunity of securing the maximum return from the contractor, both financially and in terms of increased participation. A joint contract will also be a lot more effective for officers to manage.
11. The ultimate aim of the contract will be to increase participation in sport and active recreation in the two districts and, as a result, increase usage of the centres. The contract will enable the councils to offer residents the opportunity to participate in sport and physical activity in a safe and attractive environment in order to enhance their health and well-being. If we are successful in this, then we should also be in a position to provide residents with the opportunity to have fun and enjoy the facilities that we invest significantly in.
12. In addition, tendering for a new contract allows us to challenge contractors as to how they will provide outreach sessions in areas of the community where there are no council-owned facilities, thereby extending the leisure offer that leisure management contractors have provided traditionally.
13. It is proposed that the councils' main objectives in tendering the management of the leisure facilities are to:
 - increase participation in sport and physical activity
 - provide good value for residents and other users of the facilities
 - operate the centres efficiently and sustainability in accordance with the councils' objectives
 - maximise the management fee payable by the contractor to the two councils, keeping the financial payments separate for the two councils
 - demonstrate a positive, proactive attitude to working with the councils and other partners to deliver the stated objectives
 - demonstrate an innovative approach to delivering the leisure management contract.

KEY CONSIDERATIONS

14. It is worth reflecting on the procurement rules that will be followed in order to award this contract. The process will be subject to European Union (EU) regulations because the value of the joint contract over its lifetime is likely to be in excess of the EU threshold (currently £173,934).

15. Officers anticipate that the joint contract will generate a considerable level of interest amongst bidders, partly due to its size, its location and the three incumbent contractors.
16. Due to the anticipated level of interest, officers expect that the contract will be keenly priced, based on sophisticated business plan models. We will request annual management fee proposals on a per site basis at the time of tender submission. It will then be up to the successful contractor to ensure that these business plans are realised during the lifetime of the contract.
17. By seeking annual management fee figures for each site, it will be relatively simple to split out the financial implications for each council and for both councils to gain a level of certainty over the impact on their revenue budgets for the lifespan of the contract. This exercise also provides indicative estimates of costs if a site was to be removed from the contract at a later date, or if a known improvement or new facility was to be delivered.
18. In terms of pricing, the councils will require contractors to produce an innovative pricing structure that will reflect the objectives of the contract. This may result in prices for the same activity being consistent across the two districts, but this would not be a requirement of the contract.
19. It is likely that prices for a small number of core activities (e.g. swimming, badminton) will be agreed by the councils. Prices for these activities will be permitted to increase annually by up to a maximum of the retail price index (RPI). Any increases above RPI will be required to have a business case submitted and cannot be changed without the relevant council's agreement. However, all other prices (e.g. parties, lessons) will be left to the market to decide.
20. Officers are not proposing that the councils should be prescriptive in terms of target groups for the contract. Instead, we are likely to be suggesting that contractors provide a balanced programme of activities that is relevant and accessible to the whole community. This programme is likely to vary between the leisure facilities and will have the potential to change over the lifespan of the contract. In order to meet their financial targets, contractors will need to maximise the opportunities available to them in each local area and will look to offer a range of activities to attract different demographics.
21. Likewise, officers are not anticipating that the councils will specify mandatory opening hours for the sites. Instead, we suggest that contractors make proposals based on a sound business case that contribute towards the contract objectives and reflect existing restrictions, such as the joint-use agreements with Oxfordshire County Council for the facilities on school sites and relevant planning conditions.
22. Officers are not anticipating that key performance targets (KPTs) for the whole contract term will be agreed at this stage. Instead, we suggest that the current set of KPTs for the existing contracts should be shared with bidders along with the Vale Council's performance review guidelines as tender documents are issued. We will then review and agree KPTs on an annual basis; enabling specific focus points to be targeted in future years.
23. Consideration also needs to be given to the apportionment of risks (e.g. cost of utilities, pensions and maintenance responsibilities.)

DRAFT TIMETABLE FOR LEISURE MANAGEMENT CONTRACT

24. It is currently very early in the project planning for this procurement exercise. At present, officers anticipate that key dates are as follows:

November 2012	Publish OJEU notice and trade advertisement. Review specification documentation and advise on draft tender documents
November 2012	Agreement of procurement route
March 2013	Agree specification for new contract with cabinets
April 2014	Cabinets to award contract
1 September 2014	New contract commences

25. Further details on the timetable will be available following the agreement of the procurement process, which is to take place during November 2012.

FINANCIAL IMPLICATIONS

26. There are no financial implications arising from this report.

LEGAL IMPLICATIONS

27. There are no legal implications arising from this report.

CONCLUSION

28. This update provides scrutiny committee with an overview of the current thinking in regards to the 2014 leisure management contract. As stated, it is still very early in the process and the decision in terms of procurement routes will have a significant impact on the detailed project plan.

29. It is intended that scrutiny committee will be kept informed of upcoming decisions and progress with the project through its representative on the joint project board.

BACKGROUND PAPERS

30. None