

# LEISURE, WELLBEING AND HEALTH COMMITTEE

18 JANUARY 2017

## PART II - DELEGATED

### 1. LEISURE MANAGEMENT CONTRACT AND REDEVELOPMENT OF THE CENTRE, SOUTH OXHEY

#### 1. Summary

- 1.1 The purpose of this report is to recommend to Committee the shortlist to “Invitation to Submit Final Tender” (ISFT), and the ‘Lot’ for the procurement of the new Leisure Facilities Management Contract (LFMC).

#### 2. Details

##### Background

- 2.1 The current LFMC with Hertsmere Leisure Trust (HLT) ends on 31 March 2018. This consists of The Centre, Sir James Altham Swimming Pool (SJA), William Penn Leisure Centre and Rickmansworth Golf Course incorporating the Fairway Inn.
- 2.2 The Leisure, Wellbeing and Health Committee in September 2015 resolved to procure the new Leisure Management Contract(s) for the development of The Centre, Rickmansworth Golf Course and William Penn Leisure Centre, **subject to costs**. In November, it resolved to tender the Leisure Management Contract(s) into three Lots: Lot 1, the South Oxhey Facility Design, Build, Operate & Maintain (DBOM) plus William Penn Leisure Centre and Rickmansworth Golf Course; Lot 2, The Centre via the DBOM route; Lot 3, William Penn Leisure Centre and Rickmansworth Golf Course.
- 2.3 The Council does not have to accept any bid and could pull out of the process at any time, right up until the signing of the contract.

#### 3. Procurement Process

- 3.1 The table below outlines the status of the procurement process.

Key Actions – Decision Required	Implications	Timetable	Status
Procurement Preparation: <ul style="list-style-type: none"><li>• Bids/Affordability/Evaluation Criteria</li><li>• Business Case Review</li><li>• Draft Documentation</li></ul>	No financial commitment	June – October 2015	Completed
Members Approval – evaluation criteria/affordability/detailed business case	Commencement of Procurement Formal Funding Applications	November 2015	Completed

Advertise Opportunity & Bidders Open Day	No financial commitment	January 2016	Completed
Pre-Qualification (PQQ)	No financial commitment Shortlist 5 /6 bidders	Feb – May 2016	Completed
ISDS Shortlist	No financial commitment Shortlist 3 bidders Select Option to proceed Firm financial offers	June – Jan 2017	In Progress
ISFT – Preferred Bidder	Select Preferred Bidder(s) Firm Financial Offers and Funding	September 2017	
New Contract(s) Start		April 2018	

3.2 Following a Bidders' Day presentation in February 2016, there were 15 expressions of interest and 7 submissions were received at Pre-Qualification Questionnaire (PQQ) stage. All bidders were notified including the one unsuccessful bid.

3.3 Two of the bidders who were selected for the ISDS stage, dropped out of the process. The remaining four companies submitted mandatory bids, namely Places for People, Hertsmere Leisure, Sports and Leisure Management (SLM) and Fusion. Fusion submitted a bid for Lot 1 only with the other three bidders submitting bids for all three Lots. Places for People and Hertsmere Leisure also submitted optional variant bids.

#### 4. **Evaluation of Invitation to Submit Detailed Solutions (ISDS)**

4.1 The Detailed Solutions have been evaluated by an internal team of Leisure, Major Projects, Accountancy and Legal officers, supported by external legal advisers (Bond Dickinson) and Robin Thompson, (Independent Leisure Consultant). See Appendix A – ISDS Executive Summary Report.

4.2 The table below shows the evaluation model structure.

Level 1 Criteria	%	Level 2 Sub Criteria	Level 3 Sub Criteria
Services	40%	<ul style="list-style-type: none"> <li>Outcomes</li> <li>Quality/Customer Care</li> <li>Operational Delivery</li> </ul>	<ul style="list-style-type: none"> <li>Specific areas, such as Sports Development, Staffing, Health &amp; Safety</li> </ul>
Technical	10%	<ul style="list-style-type: none"> <li>Development/ Design</li> <li>Planning Risk</li> <li>Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Design and maintenance proposals</li> <li>Environmental Approach</li> </ul>
Commercial	50%	<ul style="list-style-type: none"> <li>Usage, Expenditure &amp; Revenue</li> <li>Affordability</li> <li>Contract Acceptance</li> <li>Capital Costs</li> <li>Delivery &amp; Risk</li> </ul>	<ul style="list-style-type: none"> <li>Deliverability of financials, financial, risk</li> </ul>

4.3 The table below shows the Evaluation Summary. The detail underpinning these scores is presented in Appendices B – D, with the scores for reporting and Contractual Acceptance within Appendix E.

Lot 1	Places for People	Hertsmere Leisure	SLM	Fusion
Services (40%)	28.7%	24.9%	27.9%	26.2%
Technical (10%)	7.0%	6.6%	6.8%	6.0%
Commercial (50%)	21.0%	25.9%	24.3%	37.2%
<b>Total</b>	<b>56.6%</b>	<b>57.3%</b>	<b>59.0%</b>	<b>69.4%</b>
<b>Rank</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

Lot 2	Places for People	Hertsmere Leisure	SLM
Services (40%)	28.7%	24.9%	27.9%
Technical (10%)	7.0%	6.6%	6.8%
Commercial (50%)	21.0%	16.9%	20.9%
<b>Total</b>	<b>56.6%</b>	<b>48.3%</b>	<b>55.6%</b>
<b>Rank</b>	<b>1</b>	<b>3</b>	<b>2</b>

Lot 3	Places for People	Hertsmere Leisure	SLM
Services (40%)	28.7%	24.9%	27.9%
Technical (10%)	7.0%	6.6%	6.8%
Commercial (50%)	21.7%	26.1%	29.3%
<b>Total</b>	<b>57.4%</b>	<b>57.6%</b>	<b>64.0%</b>
<b>Rank</b>	<b>3</b>	<b>2</b>	<b>1</b>

As can be seen from the table, Fusion scores 69.4% and is the top ranked bid for Lot 1 with SLM and Hertsmere Leisure ranked 2 and 3 respectively. Three of the bids (Fusion, Hertsmere Leisure and SLM) are within the Council's affordability limits for Lot 1, with Places for People significantly outside the affordability limit.

For Lot 2 Places for People scores 56.6% and is the top ranked bid for Lot 2 with SLM and Hertsmere Leisure ranked 2 and 3 respectively. All three bids for Lot 2 are outside of the Council's affordability limit.

For Lot 3 SLM scores 64% and is the top ranked bid for Lot 3 with Hertsmere Leisure and Places for People ranked 2 and 3 respectively. Two of the bids (Hertsmere Leisure and SLM) are within the Council's affordability limits for Lot 3, with Places for People outside the affordability limit.

4.4 Within the ISDS, the Council set out a process of whether to progress with either Lot 1 or Lots 2 and 3 and it will assign the Lots the following weightings following completion of the evaluation of ISDS Bids:

- o Lot 1 – 100%
- o Lot 2 – 50%
- o Lot 3 – 50%.

The Bid scoring the highest evaluation mark for each Lot will be multiplied by the appropriate percentage weighting to give a score. The total of Lots 2 and 3 will be added together and compared with the Lot 1 total. The Lot with the highest total will then progress as the preferred Lot(s) approach for the Project.

As shown in section 4.3 of the report, the highest score for Lot 1 was 69.4%. The highest score for Lot 2 was 56.6% and for Lot 3 was 64%, which averages out to be 60.3%. Hence, the recommendation is to progress to the ISFT Stage with Lot 1 only.

4.5 Each of the bidders presented their submissions which included the management fee they were seeking to either pay to or receive from the Council and, in addition, the cost of financing the capital that they required. For the purposes of evaluation, a cost of £60,000 per annum per £1 million was used for the cost of borrowing. The financial overview, which is part of the Commercial section, for each Lot is summarised in the table below. The figures in the table are shown as an annual average over the 20-year term of the contract.

Lot 1 (£000's)	Places for People	Hertsmere Leisure	SLM	Fusion
Annual Management Fee	(461)	(578)	(543)	(871)
Cost of Capital	715	418	535	434
Total Cost/(Receipt) to the Council	253	(160)	(8)	(437)
<b>Amount above/(below) Affordability</b>	<b>253</b>	<b>(160)</b>	<b>(8)</b>	<b>(437)</b>

Lot 2 (£000's)	Places for People	Hertsmere Leisure	SLM
Annual Management Fee	(288)	(174)	(239)
Cost of Capital	637	363	516
Total Cost/(Receipt) to the Council	349	189	277
<b>Amount above/(below) Affordability</b>	<b>219</b>	<b>59</b>	<b>147</b>

Lot 3 (£000's)	Places for People	Hertsmere Leisure	SLM
Annual Management Fee	(174)	(347)	(276)
Cost of Capital	78	55	0
Total Cost/(Receipt) to the Council	(96)	(293)	(276)
<b>Amount above/(below) Affordability</b>	<b>34</b>	<b>(163)</b>	<b>(146)</b>

*Note: Figures in brackets for the Annual Management Fee are a payment to the Council and if not in brackets then the payment is from the Council.*

As can be seen from the table, with the exception of Places for People all the other bidders present affordable solutions for Lots 1 and 3, with Fusion presenting an annual average management fee payable to the Council of circa £437,000 after capital costs are financed for Lot 1.

None of the bidders present an affordable solution for Lot 2. These financial proposals have been factored into the evaluation scoring.

4.6 In addition to the bids presented, there were a number of optional variant bids presented, in particular two options which are summarised below:

- Replacement of the squash courts at William Penn Leisure Centre with a health and wellness centre
- Replacement of 2 badminton courts in the Sports Hall at William Penn with a climbing facility and soft play.

There is the opportunity for these options to deliver a better financial return to the Council but there would be a loss of sporting facilities. It is proposed that, at the next stage, bidders are asked to present these as additional options but with the costs of retaining the sports hall and squash court also presented.

In this way members can consider the difference in financial impact versus the impact of losing certain facilities, such as squash and sports hall. If, however, Members prefer to retain these facilities then this option will not be included at the next stage i.e. Invitation to Submit Final Tender (ISFT).

Analysis of Sports Hall and Squash Court provision is shown in Appendix F and Appendix G respectively. Hertsmere Leisure has confirmed that there 'would be limited impact' if the present four-court hall at William Penn was reduced by half 'as many of the bookings can be relocated or accommodated within 2 courts'. They have also confirmed that the present bookings with more than two courts, namely; both Active Life and Trampolining sessions can fit into 2 courts; Mill End Youth can be accommodated within 2 courts and squash courts; and the 3 football bookings of 1 hour each could be transferred to the upgraded Multi-Use Games Area.

Hertsmere Leisure also confirmed that the 2 squash courts at William Penn only have a 29.1% utilisation rate. They have seen a general drop off of Squash usage across all their sites and this is consistent with the national picture.

## 5. **Next Steps**

5.1 Following the ISDS stage, further dialogue will take place with the bidders to refine and develop their proposals before formally closing dialogue. The issue of final tender (ISFT) will then take place. Bids will then be submitted and evaluated accordingly. A report will then come back to Leisure, Health and Wellbeing in September 2017 with a recommendation of selecting a preferred bidder.

5.2 A mobilisation will take place with a new contact commencement of 1 April 2018.

## 6. **Options/Reasons for Recommendation**

6.1 The purpose of this report is to update the Committee on the evaluation of Invitation to Submit Detailed Solutions (ISDS) for the procurement of the new Leisure Facilities Management Contract, recommending to Committee the shortlist to Invitation to Submit Final Tender (ISFT), and the 'Lot' for the procurement of the new LFMC.

## 7. Policy/Budget Reference and Implications

7.1 The recommendations in this report are within the Council's agreed policy and budgets. The relevant policy is entitled:

### **Community Strategy 2012 - 2018:**

Priority 1: Children and Young People's Wellbeing

Priority 2: Health and Disability

Priority 3: Adult Skills and Employment

Priority 4: Crime and Anti-Social Behaviour

## 7.2 Three Rivers District Council Strategic Plan 2015 – 2018:

1.1.1 Reduce anti-social behaviour and crime.

1.3.1 Improve and facilitate access to leisure and recreational activities for adults.

1.3.2 Contribute to partnership working to reduce health inequalities.

1.3.3 Provide a range of supervised leisure activities and facilities for young people.

2.1.2 Minimise waste and optimise recycling.

2.1.5 Minimise energy and water consumption, reduce CO<sub>2</sub> emissions and increase the use of renewable energy.

3.1.2 Champion the local economy.

4.1.1 We will strive to improve and maintain service standards for all services.

4.1.2 We will strive to improve and monitor customer satisfaction.

4.1.3 We will inform and update customers about the Council's work and services.

4.2.1 We will manage our financial resources to deliver value for money.

## 7.3 Leisure and Community Services Service Plan 2016 – 2019

## 8. Financial Implications

8.1 Financial details are contained within the main body of the report. A detailed financial assessment on the viability and affordability of the project (Lot 1) will be undertaken once final tenders have been received.

## 9. Legal Implications

9.1 At this point, only one of the bidders has submitted a full or detailed mark up. In most cases there is not even a detailed commentary of the terms of contract that the bidder would have proposed, despite being invited to do so. Places for People are that exception and have submitted a detailed commentary on numerous points. It is unsatisfactory that bidders have not shown their hand. However, this can be dealt with at the commencement of the next stage and will need to be raised with those bidders selected.

9.2 External solicitors have been instructed in so far as the DBOM contract is concerned and they are also reviewing the matter of leases of the venues. At this point, no "show stoppers" have been identified.

## 10. Equal Opportunities Implications

### 10.1 Relevance Test

Has a relevance test been completed for Equality Impact?	Yes
Did the relevance test conclude a full impact assessment was required?	No

## 11. Staffing Implications

- 11.1 The Leisure Management Contract including the redevelopment of The Centre will require the time of Project Manager (Major Projects) and Leisure Manager to oversee project management, consultation, and procurement. Input from Senior Management, Project Team, Finance, Planning, Legal, Property and Leisure will be required throughout the project.

## 12. Community Safety Implications

- 12.1 The local Police Community Safety Officers, Crime Prevention Liaison Officer and the Grounds Maintenance team will be consulted on the final design options for the redevelopment of The Centre.

## 13. Public Health Implications

- 13.1 The Leisure Management Contract including the redevelopment of The Centre will enhance leisure facilities to provide opportunities to improve the health and wellbeing of the local community.

## 14. Customer Services Centre Implications, Communications and Website Implications and Environmental Implications

- 14.1 The website will be kept updated with progress on the project.

## 15. Risk Management and Health & Safety Implications

- 15.1 The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.

- 15.2 The subject of this report is covered by the Leisure and Landscape and Environmental Protection service plan. Any risks resulting from this report will be included in the risk register and, if necessary, managed within these plans.

- 15.3 The following table gives the risks if the recommendations are agreed, together with a scored assessment of their impact and likelihood:

Description of Risk	Impact	Likelihood
1 That the future of the Sir James Altham pool will ultimately be determined as a result of the age of the pool and the ongoing issues with the pool plant. If this occurs during the contract with Hertsmere Leisure this will have significant cost implications	IV	C
2 Scope of The Centre development needs final definition	II	B
3 Council delay decisions on Leisure Contract	III	D
4 Insufficient Capital available for new leisure facilities	IV	D
5 New contract does not provide value for money	III	E

- 15.4 The following table gives the risks that would exist if the recommendation is rejected, together with a scored assessment of their impact and likelihood:

Description of Risk		Impact	Likelihood
6	That the future of the Sir James Altham pool will ultimately be determined as a result of the age of the pool together with the ageing of the pool plant. If this occurs during the contract with Hertsmere Leisure this will have significant cost implications	IV	A
7	Less opportunity for Primary School aged children to attend swimming lessons in South Oxhey	III	D
8	The Council could be perceived as being unsupportive towards those aged over 60 and receive poor publicity if free swimming were to be removed	II	B
9	Increase in anti-social behaviour and crime.	III	B

15.5 Of the risks above the following are already included in service plans:

Description of Risk		Service Plan
No	1, 6, 8	Leisure and Landscape

15.6 The above risks are plotted on the matrix below depending on the scored assessments of impact and likelihood, detailed definitions of which are included in the risk management strategy. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood are plotted in the shaded area of the matrix. The remaining risks require a treatment plan.

Likelihood	A				6		Impact V = Catastrophic IV = Critical III = Significant II = Marginal I = Negligible	Likelihood A = >98% B = 75% - 97% C = 50% - 74% D = 25% - 49% E = 3% - 24% F = <2%
	B		2,8	9				
	C				1			
	D			3,7	4			
	E			5				
	F							
		I	II	III	IV	V		
	Impact →							

15.7 In the officers' opinion none of the new risks above, were they to come about, would seriously prejudice the achievement of the Strategic Plan and are therefore operational risks. The effectiveness of treatment plans are reviewed by the Audit Committee annually.

16. **Recommendation**

That the Leisure, Wellbeing and Health Committee approves:

- 16.1 to shortlist three bidders i.e. Hertsmere Leisure, SLM and Fusion to the Invitation to Submit Final Tender (ISFT) of the procurement of the new Leisure Management Contract;
- 16.2 to progress to the ISFT Stage with Lot 1 only, which includes all the facilities under one contract, namely, The Centre via the DBOM route, William Penn Leisure Centre and Rickmansworth Golf Course.
- 16.3 to allow bidders to present options at the Invitation to Submit Final Tender (ISFT) based on removing the need to provide squash or to only have a two-court sports hall at William Penn.

- 16.4 that public access to the decision be made once the bidders have been informed.
- 16.5 that public access to the appendices be denied until the contract expiry and public access to the report be denied until the contract is awarded.

Report prepared by: Ray Figg, Leisure Manager

### **Data Quality**

Data sources:

Data checked by: Kelly Barnard - Customer & Contracts Officer

Data rating:

1	Poor	
2	Sufficient	✓
3	High	

### **Background Papers**

Reports to the June 2012 and September 2013 South Oxley Initiative Steering Group;  
Reports to the June 2012 and December 2013 Executive Committee;  
Reports to the September 2015 and November 2015 Leisure, Wellbeing and Health Committee.

### **APPENDICES / ATTACHMENTS**

Appendix A – ISDS Executive Summary Report from RPT Consulting (For Part 11)

Appendix B - Lot 1 – ISDS Evaluation Matrix

Appendix C - Lot 2 – ISDS Evaluation Matrix

Appendix D - Lot 3 – ISDS Evaluation Matrix

Appendix E – Reporting and Contract Acceptance Score

Appendix F – Analysis of Sports Hall provision

Appendix G – Analysis of Squash Court provision