

LONDON BOROUGH OF BRENT**Executive – 12 April 2005****Report from the Director of Environment**

For action

Wards affected:
All

Report Title: Retendering the Leisure Management Contract – Service specification and selection to tender stage

Forward Plan Ref: ES-04/05-310

Part of this report (appendix 2) is not for publication ('below the line') as it contains categories of exempt information as specified in the Schedule of the Local Government (Access to Information) Act 1985.

Information relating to the financial or business affairs of any particular person (other than the Authority). Any terms proposed or to be proposed by or to the Authority in the course of negotiations for a contract for the requisition or disposal of property or the supply of goods or services.

1.0 Summary

1.1 This report concerns the retendering of the leisure management contract for Vale Farm and Charteris Sports Centres. The report provides details on the proposed service improvements to the specification, proposals for capital investment and the duration of the contract. The report also details those companies that submitted a pre-qualification questionnaire and recommends those that should be considered to progress to the tender stage. Finally, the report proposes 'core prices' for inclusion in the leisure management specification.

2.0 Recommendations

That the Executive agrees:

2.1 the service improvements to the leisure management specification (para 3.12 to 3.16)

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- 2.2 the proposals to fund the necessary capital investment in the centres (para 3.17 to 3.22)
- 2.3 the proposed contract period of seven years with an option to extend for three years, with both parties approval.
- 2.4 to invite the companies identified in paragraph 3.25 to progress to the tender stage.
- 2.5 to the proposed core prices as detailed in Appendix 1 from Jan 2006.

3.0 Detail

- 3.1 There are currently four sports and leisure centres in Brent.
 - Bridge Park Community Leisure Centre - which is managed by the Council's Sports Service
 - Willesden Sports Centre - which is being redeveloped as part of a PFI contract and will be operated by Leisure Connection.
 - Vale Farm and Charteris Sports Centres - which are currently managed by Leisure Connection under a 7-year management contract which expires at the end of April 2006, although there is an option to extend it for a further 3 years by agreement on both sides.
- 3.2 In 2004 the Sports Service undertook a best value review of the service which included an analysis of the existing leisure management contract and an option appraisal was completed to determine what arrangements should be put in place from 2006 onwards.
- 3.3 The best value review recommended the retendering of the contract in order to address areas of current weakness. Retendering the contract will allow a new specification to be written that will result in a better quality service which would be more closely aligned to the Council priorities and Sports Strategy themes. The new specification will provide an opportunity to secure improved value for money to the Council.
- 3.4 The best value review was considered by the Executive in July 2004 and the decision was made to re-tender the contracts and not to extend the Leisure Connection contract for a further three years.
- 3.5 Approval was given at the January 12th 2005 Executive to retender the Vale Farm and Charteris contract and approved the pre-tender considerations. Within the January Executive report a number of key issues were outlined which would enable the specification to more closely align with the Council's priorities and address the key themes and objectives within the strategy for sport and physical activity. The report also discussed issues regarding capital investment and information technology. These key issues have been reviewed and the officers proposals are detailed later within this report.

- 3.6 In developing the recommendations for the retendering of the leisure management contract officers have investigated the current market situation. This was done by meeting with officers from other Councils that have recently re-tendered their leisure contract to discuss a range of issues including service specifications, market interest, payment mechanisms and negotiation outcomes. In addition officers met with some of the better known providers to establish their views and preferences around issues such as investment, length of contract, pricing, the contract market, and expectations from a specification.
- 3.7 The new specification will provide a balance between 'inputs' and 'outputs'. When Compulsory Competitive Tendering was first introduced for Leisure Management contracts tended to be very specific, describing in detail the actions ('inputs') that were to be delivered. As contract management has developed, contracts have become more 'output' focussed, identifying the quality standards that are expected and what is required as an end product ('outputs'), but allowing the contractor to use their own discretion to manage the service to deliver those required standards and outputs. In the current market, if a contract is too 'input' driven it is likely that most contractors will be 'put off' and the council will receive few tender submissions, making the process much less competitive.
- 3.8 The Council aims to work in partnership with the new Contractor to enable them to deliver services that achieve at least the agreed service standards and which contribute to the achievement of wider sports strategy objectives. A set of performance indicators linked to a payment mechanism will be included with the tender documentation. These performance indicators will help to ensure that the contractor meets the necessary performance standards. However, if the relationship with the contractor breaks down and the quality of the services they are providing is no longer to an acceptable standard, the payment mechanism will enable the Council to implement a default system so that monies can be withheld until standards are raised.
- 3.9 The key issues that were outlined within the January report to Executive covered three main areas:
- Improvements to the service specification
 - capital investment
 - length of contract
- and officers proposals for the new specification are detailed below.

IMPROVEMENTS TO THE SERVICE SPECIFICATION

- 3.10 A review of the existing contract and an evaluation of the corporate and sports strategy priorities has been undertaken. Consultation forums were held with individual users and clubs at the centres and users were also invited to send in any written suggestions for the new contract specification. The results of the reviews and the consultation have led to the following key improvements within the service specification.

3.11 Improving the service requirements may have an impact on the tender price. Potential cost implications of the changes discussed below are outlined in the 'below the line' appendix 2.

3.12 Minimum Opening Hours

3.12.1 Proposal - that Vale Farm Sports Centre be open from 6.30am, Monday to Friday.

3.12.2 Reason - The current contract at Vale Farm requires the centre to be open from 7.00am. However, the existing contractor has identified a demand and the centre currently opens each weekday from 6.30am. This early morning swim is a popular service with the centre users. Officers believe that to return the centre to a 7.00am opening will result in many unhappy customers.

3.12.3 Proposal -that the new contractor be allowed to close the centres from 8.00pm at weekends if there are no pre-bookings.

3.12.4 Reason -casual use of sports centres in the evenings at weekends is generally very low and unless there are pre-booked events or activities closing the centre at 8.00pm will affect only a very small number of users

3.13 Free Swimming For Targeted Groups

3.13.1 Proposal - that young people aged 16 and under are able to swim for free during the weekdays of school holidays between 11am and 4.00pm.

3.13.2 Reason - young people are a corporate priority and a target group within the sports strategy. Enabling young people to take part in swimming for free will increase their levels of physical activity and longer term will help improve their health. It will engage them in an activity and potentially divert them from taking part in crime or anti social behaviour and by engaging people at a young age in sport and physical activity evidence shows that they are more likely to continue to take part as they get older.

3.14 Exercise Referral Scheme

3.14.1 Proposal - the contractor provides an exercise referral scheme at both Vale Farm and Charteris sports centres.

3.14.2 Reasons -improving the quality of life is a corporate priority and improving the health of the Nation is a key government objective. Brent has many communities with health related problems and by providing a service that enables health professionals to refer people to take part in structured activity sessions will reduce the health inequalities in the Borough and improve their quality of life.

3.15 Consultation And Benchmarking

3.15.1 Proposal – to require the contractor to measure customer satisfaction annually, using the Sport England Benchmarking Service methodology and questionnaire format and undertake non user research every two years.

3.15.2 Reasons - to help achieve the corporate objective of achieving service excellence it is essential that the levels of satisfaction of users are recognised and recorded so that action plans can be implemented to address areas of poor performance / low satisfaction. This will also enable the service to be benchmarked with other providers including Willesden Sports centre and Bridge Park Community Leisure Centre. Identifying who and why people are not using the facilities will enable the contractor to address these reasons so that all Brent's communities can play a full role in the life of their community

3.16 General improvements

3.16.1 The new specification sets improved performance standards in relation to marketing, activities for target groups and equalities issues. There are no anticipated cost implications with these new requirements as the proposed performance standards are a reflection of 'good practice' and are the standards most contractors would expect to be delivering to.

3.17 Capital Investment

3.17.1 As part of the retendering process we have undertaken fabric, mechanical and electrical and swimming pool condition surveys of the two centres to determine what the projected repairs and maintenance requirements are for the buildings in order to ensure they remain 'fit for purpose'. Initial reports indicate that there will need to be some large 'one off improvements' for example to refurbish the wet side changing accommodation, complete replacement of roof covering, rendering squash court walls as well as a planned programme of works to maintain the building. First indications show that the costs of the 'one off' and planned programme of works will be approximately £1.3 million over ten years. The following methods are proposed to fund the necessary investment.

3.18 Repairs and maintenance

3.18.1 Proposal - the Council, rather than the contractor, should undertake the larger capital and planned programme of works on the two sports centres funded through the prudential borrowing regime.

3.18.2 Reasons - it will be more economical for the Council to fund this work itself as this will result in a lower overall cost because the cost of borrowing is lower for the Council, and can be spread over the full useful life of the work. If the contractor were required to fund the works this would result in a high tender price as the contractor is

likely to include a significant premium for risk. A report requesting the Capital Board to agree that capital investment for 'one off' and programmed maintenance within Vale Farm and Charteris sports centres be funded through the prudential scheme up to the limit affordable within existing revenue budgets was agreed by the board on the 18th March.

3.19 Day to day repairs and maintenance

3.19.1 Proposal –the contractor is responsible for day to day repairs and maintenance, servicing and redecoration.

3.19.2 Reason - This will create incentives for the contractor to manage the buildings effectively and ensure that their maintenance programme disrupts the operation of the centres as little as possible.

3.20 Creating new income generating sports facilities

3.20.1 Proposal – that contractors submit variant bids identifying areas within the centre which they would develop to provide new / additional services.

3.20.2 Reason – officers believe that there are 'redundant' areas within the centres which have the potential to be developed to provide new and/or additional services for users and generate additional income for the contractor. Such examples could include converting the bar area at Vale Farm into an area for sport, installing a dedicated 'junior gym' with specialist equipment, providing a steam and sauna. Officers do not intend these proposals to be funded by the Council; leaving the risk with the contractor, but welcome suggestions as this will lead to an enhanced service for new and potential users.

3.21 Redevelopment of the disused athletics track (Vale Farm Sports Centre)

3.21.1 Proposal – that the Council seeks ideas as 'variant bid proposals' to develop a new use for the disused athletics track at Vale Farm which will help achieve the objectives within the strategy for sport and physical activity.

3.21.2.1 Reason – the disused track stands between the sports centre and the synthetic pitch and is in a poor state of repair. The new Willesden sports centre will include a refurbished track and strategically there is no real demand for a second track at Vale Farm. The area could be used to develop new opportunities for sport and physical activity and the Council will look to work with the contractor to determine how this can be best achieved.

3.22 Investment in Information technology

3.22.1 Proposal - That the contractor be required to provide, operate and maintain a computerised booking and management information system (hardware, software and licences etc) that provides an efficient and fast service at reception and records user profile data.

3.22.2 Reason - The provision of a computerised booking and management information system will improve the quality of information and data available to both the contractor and the Council. Officers believe that the contractor should be the party to invest in the IT as they will be able to purchase the hardware, software, licences etc at a cheaper price than the Council as they are likely to have existing systems in place elsewhere. As provider, the contractor will be responsible for providing training to all staff on its use and capabilities and will take ownership of the system. It is a concern for officers that if the Council were to provide the IT system, we would have to provide IT support during all the opening hours of the centres as well as provide a regular and ongoing programme of training for all staff.

3.23 LENGTH OF CONTRACT

3.23.1 Proposal - that the 'standard basis' for bidding will be for a seven year contract with a three year extension subject to both parties agreement.

3.23.2 Reason - A seven year contract gives the contractor time to manage the centre, identify areas for improvement and investment, carry out any developments and have sufficient time to recover the costs of their investment.

3.23.3 It is anticipated that if a new facility is built in South Kilburn this will result in the closure of Charteris sports centre. At present it is believed that this is unlikely to happen until the end of the seven year contract period. If Charteris were to close before the end of the contract period the Council would most probably have to make compensation payments for early termination.

3.24 PRICING REVIEW

3.24.1 The Strategy for Sport and Physical Activity in Brent and the Report of the Best Value Review of the Sports Service both identified the need to review the charges at leisure centres to ensure they link into the achievement of wider corporate aims and the recommendations within the Sports Strategy. They also highlighted the need to review the Brent Leisure Card Scheme to ensure it encourages use by target groups and acts as a tool to achieve social objectives by minimising price as a barrier to participation in sports activities.

3.24.2 The Review of Bridge Park Report (Executive March 2004) also recommended that the pricing policy for the leisure centre be reviewed, including examining the potential to introduce the leisure card at Bridge Park.

3.24.3 A separate report to the Executive has been produced entitled 'A Review of Fees and Charges – Sports', which details and explains the proposed changes to the Council's pricing policy for sports facilities and

activities and recommends new pricing policies and changes to the Leisure Card scheme.

3.24.4 It is not the purpose of this leisure management specification report to replicate the 'fees and charges report'; however there are a number of key policy issues outlined in the Fees and Charges report that will have an impact on the retendering of the leisure management contract.

3.24.5 The Leisure management specification will need to detail the maximum core prices that the contractor will be expected to charge from contract commencement. Therefore in order to price the tender the potential contractors need to know what charges they will be expected and able to charge. Appendix 1 details the core prices that are proposed from January 2006 that will be included in the service specification. Once the contract commences, these core prices will be indexed linked by RPIX annually. Prices not set out in appendix 1 as 'core prices' will be set annually by the contractor.

3.24.6 Changes in the pricing policy and core process compared to current prices may have an impact on the tender price. Officers have reviewed these implications and they are detailed in the 'below the line' appendix 2.

3.25 Selection of Companies to Tender Stage

3.25.1 Four pre-qualification questionnaire (PQQ) submissions were received from four well known leisure organisations. Two of these companies are 'Trusts' and two are private companies. The companies that submitted the pre-qualification questionnaires are:

- Leisure Connection
- Greenwich Leisure Limited
- Enfield Leisure Centres Limited
- Parkwood Leisure

3.25.2 The PQQ's have been assessed and evaluated by officers from health safety and licensing, environmental policy, legal, finance and the sports service. All the submissions meet the pre-qualification criteria and it is recommended that all four companies be invited to progress to the tender stage.

4.0 Financial Implications

4.1 The proposed core prices for inclusion in the leisure management service specification are detailed in appendix 1

4.1 The financial implications arising out of the service improvements, the capital investment in repairs and maintenance and the introduction of the new pricing policy and Leisure Card scheme and are attached in the 'below the line' appendix 2.

4.2 The re-tendering process will test the leisure market and result in a current leisure management contract price. Officers are aware though that recent tender awards for a variety of Council services have

resulted in appreciably higher tender prices than the existing contract price and a provision will be sought through future budget setting to address this. In addition, when the contract (including the capital investment) was first tendered in 1999 the Council could not afford any of the conforming submitted bids.

- 4.3 Officers are aware that when the contract goes out to tender it is possible that a leisure management 'Trust' or the 'Trust arm' of a private sector partner may bid for the contract. At present, a Trust should be able to receive 80% rate relief on the charge for the two leisure centres within the contract, and this saving could be passed on to the Council within the new contract price.
- 4.4 The cost of re-tendering the new contract is estimated at approximately £120k. £20k will be found from within existing budgets to commence work during 2004/05 but there is a shortfall of approximately £100k for 2005/6. This has been rejected as a growth item.

5.0 Legal Implications

- 5.1 The main power that the Council has to provide leisure facilities is under s19 of the Local Government (Miscellaneous Provisions) Act 1976. In addition to this power, the Council could use its powers under the Local Government Act 2000 (well being) to make the award.
- 5.2 As the award of the Leisure Management Contract (Vale Farm and Charteris) will be for "recreational, cultural and sporting services", it falls within Schedule 1 Part B of the Public Services Contracts Regulations 1993. Those Regulations are accordingly of residual application only. Accordingly, and given the uncertainty of the cost of the bids which may be submitted, officers have concluded that it would be in the Council's best interests to negotiate the award of this contract as set out and agreed in the January 17th Executive report (para 3.7)
- 5.3 Given the value of this contract under the Council's Contract Standing Orders, this package includes the award of a Major Contract and therefore the approval of the Executive will required for the award. In addition, there will be local authority capital finance, leases/land disposal, charity and trust law that will need to be considered as the tender progresses.
- 5.4 The Borough Solicitor will be involved with the preparation of the tender documentation and in the shortlisting, evaluation, clarification and negotiation stages of this procurement.

6.0 Diversity Implications

- 6.1 Under the Race Relations (Amendment) Act 2000, public authorities are under a legal duty to eliminate unlawful racial discrimination, promote equal opportunities and promote good relations between people from different racial groups. In addition, the Council is also under a legal obligation to eliminate discrimination on the grounds of

disability and gender. This duty of care extends beyond the services provided directly by the Council to include services that have been outsourced. The new contract documents, tender evaluation process and related contract monitoring procedures will incorporate equalities legislation and good practice guidelines in line with Council guidelines.

- 6.2 The Brent Strategy for Sport and Physical Activity identifies that the Council's sports development work should focus on a number of target groups that are currently under represented in terms of participation in sport. These groups are: young people, people from black and minority ethnic groups, disabled people, older people plus women and girls. Mechanisms to encourage participation by these targets groups will be included in the tender specification including programme time, the provision of specified activities/sessions, targeted marketing and control over the core prices.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 There are no direct staffing implications for the Council as Leisure Connection currently provides these services. Members of Leisure Connection's staff involved in the provision of these services, however, are likely to be entitled to transfer to any new provider (should Leisure Connection not be awarded the future contract) under TUPE.

- 7.2 Leisure Connection has entered into leases of the premises with the Council, which should expire at the same time as the Leisure Connection contract does and Leases to the premises should then be granted to the incoming provider.

8.0 Environmental Implications

- 8.1 The re-tendering process and contract specification will enable the Council to embed its environmental policy requirements into the contract including a commitment to the implementation of environmental management systems such as ISO14001
- 8.2 A section on environmental management was included within the pre-qualification questionnaire and this was assessed by the Directorates environmental projects and policy officer. This officer will also be contributing environmental management service standards and performance measures within the specification and be involved in the tender evaluation process.

Background Papers

- A Strategy for Sport and Physical Activity in Brent 2004 – 2009
- Report to Executive 14th June 2004 - A Strategy for Sport and Physical Activity in Brent 2004 - 2009
- Report to Executive 12th July 2004 – Findings of the Best Value Review of the Sports Service
- Report to Executive 17th January 2005 – Retendering of Leisure Management Contract
- Report to Executive 12th April 2005 – Fees and Charges - sports

Contact Officers

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Appendix 1

1.1 Proposed core prices from January 2006 for inclusion in leisure management specification.

Activity	Time	Proposed maximum core prices 05/06	Proposed maximum core prices from Jan 06	% increase from 05/06 to Jan 06
<u>EXISTING PRICES</u>				
Swimming - Adult	Peak	£ 3.00	£ 3.15	5%
Swimming - Adult	Off Peak	£ 2.10	£ 2.15	3%
Swimming - Junior	All times	£ 1.35	£ 1.35	0%
Swimming - OAP	All times	Free	Free	0%
Disabled	All times	Free	Free	0%

Swim Lessons - Junior	All times	£ 3.50	£ 3.60	3%
Swimming Lessons - Adult	All Times	£ 4.00	£ 4.20	5%

Pool Hire – Club	Peak	£ 44.00	£ 45.50	3%
Pool Hire - Club	Off Peak	£ 39.00	£ 40.00	3%
Pool Lane Hire	All Times	£ 22.50	£ 23.25	3%

Sports Hall Hire	Peak	£ 51.00	£ 52.00	2%
Sports hall Hire	Off Peak	£ 34.00	£ 34.50	2%

Spectator - Adult	All Times	£ 0.50	£ 0.50	0%
Spectator - Junior	All Times	£ 0.25	£ 0.25	0%

Crèche	Peak	£ 2.60	£ 2.60	0%
Crèche	Off Peak	£ 2.15	£ 2.15	0%

Appendix 1 – Proposed Core Prices continued

Activity	Time	Proposed maximum core prices 05/06	Proposed maximum core prices from Jan 06	% increase from 05/06 to Jan 06
NEW PRICES				
Swimming - Under 5's	All Times	Free	Free	New charge
Swimming - Junior, school holidays	Weekday, 11am - 4.00pm	N/A	Free	New charge

Sports Hall - (1 hr) junior club & schools	Peak	N/A	£ 39.00	New charge
Sports Hall - (1 hr) junior club & schools	Off Peak	N/A	£ 26.00	New charge

Synthetic Pitch - (1 hr) half pitch hire, junior club / schools	Peak	N/A	£ 25.00	New charge
Synthetic Pitch - (1 hr) half pitch hire, junior club / schools	Off Peak	N/A	£ 20.00	New charge

	Proposed fee from Jan 06	Proposed Discount
LEISURE CARDS		
Residents	£ 30.00	25%
Non residents	£ 55.00	25%
Concession -Resident	£ 5.00	40%
Concession - Non resident	Removed	-
Access to Leisure Card	£2.50 increasing to same fee as concessionary card in 2007	40%