

COMMUNITY AND LEISURE OVERVIEW & SCRUTINY PANEL – 21st January 2020

HEALTH AND LEISURE REVIEW

1 INTRODUCTION

- 1.1 On the 17th September 2019, Community and Leisure Panel received a report on the progress of the Health and Leisure Review.
- 1.2 The report also set out the planned activities to be undertaken in the 3 – 6 months from September, including the “go live” of the Expression of Interest documents, details of how expressions of interest would be evaluated, and how stakeholders such as customers and schools would be engaged.
- 1.3 This report provides an update on the progress that has been made since the last Panel meeting, including responses to the Expression of Interest documents and the commencement of the Invitation to Negotiation phase of the procurement.

2 BACKGROUND

- 2.1 Members are committed to ensuring the long-term health and wellbeing of our communities through the provision and accessibility of quality and affordable leisure facilities.
- 2.2 Following Community and Leisure Overview and Scrutiny Panel recommendation, the Cabinet agreed in December 2018, for the Council to commence the process to identify a preferred partner to operate the 5 Health and Leisure Centres.
- 2.3 The Task and Finish group has met regularly to determine the Council’s future requirements and agreed the Health and Leisure Vision.
- 2.4 Customer Forums were attended by over 170 customers in the Summer. A Staff Forum with staff representatives from each of the centres is in place and there is regular dialogue with our Trade Union representatives through the Employee Side Liaison Panel.
- 2.5 Regular meetings have been taking place with land owners – Hampshire County Council and a number of Schools.
- 2.6 An Evaluation Panel has been established, as reported at the last Community and Leisure Panel. It consists of the Executive Head of Resources; the Head of Finance; the Service Manager for Health & Leisure, the Strategic Procurement Manager, and the Business Improvement Project Manager.
- 2.7 The Evaluation Panel was responsible for reviewing and scoring tender responses at the Expressions of Interest stage, and will also do so during the Invitation to Negotiate (ITN) and Best and Final Offer (BAFO) stages. They are also required to answer clarification questions from potential bidders. The Evaluation Panel reports the outcome of each stage of the evaluation – including scores and rationale – to a Stakeholder Panel.
- 2.8 The Stakeholder Panel consists of the Portfolio Holder for Leisure and Wellbeing; Health and Leisure Task and Finish Group; Trade Union representative and Advisor from the Employee Side Liaison Panel; Staff representatives from the Staff forum;

Customer representatives from the Customer Focus group; and representatives from our partnership schools.

3 PROCUREMENT PROGRESS – EXPRESSIONS OF INTEREST (EOI) PHASE

- 3.1 The EOI documentation was published on the 16th September, and bidders were invited to submit responses by the closing date of 18th October 2019.
- 3.2 A Bidder Open Day was held across the five centres on the 3rd October. The day opened with an introduction from Cllr Mark Steele, Portfolio Holder and Manjit Sandhu, Executive Head followed by a tour of the centres guided by the Health and Leisure management team. A Q&A session closed the day.
- 3.3 The Council received 6 Expressions of Interest from bidders by the closing date of 18th October 2019.
- 3.4 The Evaluation Panel initially reviewed the responses from bidders individually, and then met to compare scoring and reach a combined score for each of the responses. A score was given for each of the main scoring categories: Service Quality criteria: Organisation and Resources; Market Viewpoint and Outlook; Customer Experience and Continuous Improvement; and Experience, Track Record and References, and an overall score per bidder was agreed.
- 3.5 Once scores were established, the Evaluation Panel presented their findings to the Stakeholder Panel on the 7th November 2019. This included a list of the scores against each of the agreed categories, and examples of what made a high or low scoring answer.
- 3.6 It was explained that a score of 6 in any of the categories would indicate that the bidder was capable of delivering the service to the expected standards at a minimum. A score of 7 or above would indicate that the bidders could deliver above the expected standards. A score of 5 or below suggested that they fell short of what was expected.
- 3.7 Of the six bidders, four scored 6 or above in all categories and achieved the top ranking scores. Two of the bidders failed to achieve a 6 in one or more categories. It was therefore decided that the four highest scoring bidders would progress through to the next phase of the procurement.

4 PROCUREMENT PROCESS – INVITATION TO NEGOTIATE (ITN) PHASE

- 4.1 Over the past 6 months, the Council has completed a detailed Tender Pack which contains all of the key information required by potential bidders. This included a Contract, Specification, financial information, condition survey output, a draft underlease and property information for each site, details of existing maintenance contracts, HR information, and a set of questions to be responded to in detail by bidders.
- 4.2 The Leisure Operating Contract was drafted by a combination of internal and external legal support. The contract sets out the services to be delivered, and includes information regarding the facilities, contract performance management provisions, change protocols, Council policies, draft underleases and payment mechanisms.
- 4.3 A key schedule of the Leisure Operating Contract is the Service Specification, which sets out requirements and provisions that any future Operator must adhere to. The Service Specification includes details of the Council's Vision, customer and user

experience requirements, asset maintenance responsibilities, operational performance measures and a number of detailed appendices which describe our facilities and programming.

- 4.4 Draft underleases have been drawn up for each of the sites. A list of property requirements has been agreed with land owners (schools and Hampshire) which will be incorporated into the final versions of the underleases. These have been included in the Tender Pack for Operators.
- 4.5 The Performance Measurement System works at several levels.
- Performance Measures – 6 measures per site, which represent the requirements and provisions in the Contract and specification, and these will be monitored monthly. If an Operator fails to meet the minimum standards in any of these areas in any month, they will incur an agreed additional fee which will be due the following month. Measures cover Customer Experience, Memberships, Staff and Asset Maintenance.
 - Strategic Performance Indicators – linked to the Council’s Strategic Priorities established early on in the procurement and will be used to track the delivery of our Leisure vision and outcomes in the District.
 - Key Performance Indicators – a set of Operational measures which will be reported regularly to the Council. They cover Sales, Customer Service and Quality, Asset Management, Activity Programming, Environment, Social Value, Active Lifestyles, Finance and People (staff).
- 4.6 The four bidders who progressed through the EOI phase were formally invited to tender on the 29th November 2019.
- 4.7 Bidders were given the opportunity to undertake further visits, with some taking place in December and early January and others scheduled for later this month.
- 4.8 Bidders were invited to contact us with any queries and requests for further information. By the end of December, around 100 requests were received which are being responded to by the project team. These have covered a wide range of subjects, including details of our utility consumption, staff benefits, existing programming, maintenance contracts and updated accounts.
- 4.9 When the tender pack went live, the closing date was originally advertised as the 20th January. We received requests for an extension to ensure a thorough response from bidders, and the revised closing date was confirmed to be the 31st January.
- 4.10 Once bids have been received, the Evaluation Panel will spend a period of at least 2 weeks considering the responses. Scoring will then follow the same process as the EOI phase, with individual scores being produced initially, followed by a group scoring session to establish a final score.
- 4.11 Formal additional due diligence support from FMG consultancy in association with our legal advisors continues throughout the procurement process.

5 STAKEHOLDER ENGAGEMENT

- 5.1 In parallel with the procurement process, the project team will continue to engage with key stakeholder groups.

- 5.2 Monthly Customer Focus Group meetings have now been established. These sessions, attended by users from each of the five centres, are ongoing, and last met on Monday 13th January.
- 5.3 The Monthly Health and Leisure Staff Forum continues to take place, with staff representatives attending from each of the five centres. The most recent session was held on Monday 13th January.
- 5.4 Regular meetings have been held with Trade Union representatives via Employee Side Liaison Panel to discuss the detail of the Employment provisions within the contract. The most recent meeting was held on Wednesday 8th January.
- 5.5 Engagement continues with both Hampshire County Council and the schools regarding underleases, and also to confirm management agreements that will need to transfer to any new provider. The last round of face to face meetings took place in October, and dialogue is ongoing.
- 5.6 Further Customer Forums were held from the 2nd to 4th December. A session took place in each of our centres, and 250 customers attended across the five meetings. The key questions that were raised are attached in Appendix 1. We are inviting customers to send us further questions and will produce a final set of Q&As by the end of January.
- 5.7 We continue to have ongoing dialogue with other Councils who have been through this process.
- 5.8 The Task and Finish Group continues to meet approximately every 3 weeks to receive updates including procurement process and stakeholder engagement.

6 PROVISIONAL PROCUREMENT TIMELINE

- 6.1 As outlined above, the initial Invitation to Negotiate response period will close on the 31st January and will be followed by an evaluation period in which the Evaluation Panel will consider each bidder's response and meet to reach a consensus. Scoring categories will be split into Service Quality and Financial elements. There will be an opportunity for each bidder to present their bids and for the evaluation panel to ask additional questions. The panel will then present their evaluation response to the Task and Finish group and then to the Stakeholder Panel in Early/mid-March
- 6.2 At this stage, one or more bidders will progress to the Negotiation stage of the procurement process. This will commence in mid-March.
- 6.3 Once the Negotiation stage closes, each remaining bidder will submit a Best and Final Offer (BAFO). This is currently expected to be by the end of March/early April. Bidders will then present this to customers and stakeholder groups in late April.
- 6.4 The Community and Leisure Overview & Scrutiny Panel will receive a further report on the review at its next meeting in March.
- 6.5 Any recommendations for a preferred bidder will be presented to the Community and Leisure Overview & Scrutiny Panel for consideration in June 2020, then onto Cabinet and Council in July 2020.

7 FINANCIAL IMPLICATIONS

- 7.1 The Panel previously agreed a budget of £100K for the support required through external consultancy and Legal fees.
- 7.2 To date £60k has been incurred on external legal expertise on drafting the full contract (including the specification), underleases and management agreements. There is a further £20k required to complete outstanding property matters.
- 7.3 £20k has been utilised to date on external Leisure advice supporting the Council through this process.
- 7.4 Officers estimate a further £50k will be required to complete the process, although we will have more clarity on the scale of likely contract and documentation changes once bids have been received on 31st January. This outstanding requirement will include receiving external advice when necessary on any proposed contract changes (as part of the negotiation stage) and the final re-draft of the contract and associated documentation.
- 7.5 In addition, and as previously reported, £26k has been spent on a full condition survey of the five health and leisure centres which is being used to inform the Council's maintenance programme and is also an addendum to the contract.

8 RECOMMENDATION

- 8.1 The panel notes this report, including the additional budget requirement of £50k from the Council's pre-approved Service Transformation Fund, and continues to receive regular updates.

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Background Papers

Community & Leisure O&S September 2018
Health & Leisure Review

Community & Leisure O&S November 2018
Health & Leisure Review – T&F Group Report

Cabinet September 2019
Health & Leisure Review - Expressions of
Interest

Community & Leisure O&S September 2019
Health & Leisure Review