



REPORT TO EXECUTIVE

PORTFOLIO AREA: HEALTH AND WELLBEING

Date of Meeting: 8th July 2002

~~Not for publication by virtue of paragraph 7, 9 and 10 of Part 1 of Schedule 12A of
the Local Government Act 1972~~

~~Private~~

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

Title: LEISURETIME EXTERNALISATION - TENDER EVALUATION
Report of: Director of Leisure and Community Development
Report reference: LCD 18/02

Summary:

The report details the procedures followed, the conclusions reached and the reasons for those conclusions regarding the recommended choice of a preferred partner for the future operation of the facilities currently managed by Leisuretime.

Recommendations:

That the Executive recommend to full Council:

1. that Leisuretime Non Profit Distributing Organisation (NPDO) be selected as the preferred partner for the future operation of the facilities as defined
2. that officers report further on which of the options identified in Section 4 of this report is to be preferred.
3. that officers be authorised to enter into negotiations to formalise a contract whereby Leisuretime NPDO is appointed as the Council's partner for delivery of the services and the Capital Improvement Programme and, in consultation with the Portfolio Holder, to take all necessary actions to achieve this.

4. that the matters in paragraphs 1 to 3 inclusive of this recommendation be subject to the requirements of the tender documentation being met, that the terms of the tender submitted by Leisuretime NPDO are adhered to, and that the issues set out in Section 5.0 of this Report are resolved to the entire satisfaction of the Director of Leisure and Community Development.
5. That the proposed final terms of the contract should be report back through the Overview and Scrutiny (Community) Committee and through the Executive before the contract is entered into.
6. That, to the extent that the appointment of Leisuretime NPDO may represent a change to the Council's current policy framework for the delivery methodology of these particular services, the Council be recommended to approve this.

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1. BACKGROUND INFORMATION AND OPTIONS

1.1 Following the Best Value Fundamental Performance Review of Leisuretime an Action Plan was adopted which, amongst other items, committed the Council to:

- Capital Investment in improving and refurbishing existing leisure facilities
- Revenue Investment in the provision of a programme of Community Sports Development

1.2 These were to be financed by the externalisation of the management of the Sands Centre, The Pools, The Sheepmount, Stoney Holme, The Swifts and certain other facilities. The Council had evidence to suggest that this could at least yield revenue savings in the order of £300k pa which could then be used to finance the necessary improvements.

1.3 Following the adoption of the Action Plan detailed documentation was prepared to enable tenders to be invited from which a preferred partner would be chosen to undertake the future management of these services (subject to agreeing final terms). The documentation consisted of:

A Prospectus – describing the nature of the services and facilities and containing Instructions to Tenderers.

A Specification – detailing the services standards required of the contractor but giving sufficient freedom for innovation and flair.

A draft Contract – Containing draft terms and conditions which the Council proposed to enter into.

Condition surveys and Proposed Leases – for the premises

Monitoring Arrangement – explaining how the Council would continue to require and measure Best Value from the contract.

An Evaluation Process – explaining in detail, how tenders would be assessed and the preferred partner chosen.

- 1.4 In consultation with the Portfolio Holder for Health and Well Being the Director convened a group comprised of Officers, the two Executive Members and a representative from the Council's Consultants Strategic Leisure to evaluate the Tenders and to make a recommendation to the Executive. Further details about this process are set out in Section 3 of this Report.
- 1.5 Tenders were received from three organisations and these have now been assessed in accordance with the published evaluation process. (Copies of the submitted Tenders are available for inspection, in confidence, by Members by arrangement with the Director of Leisure and Community Development).

2. CONSULTATION

2.0. Consultation to Date.

The documentation listed above was the subject of detailed consideration by the Executive and Community Overview and Scrutiny Committee at a series of meetings in December 2001 and January 2002.

This report will have been considered by the above Overview and Scrutiny Committee on 2nd July.

2.1 Consultation proposed.

The Executive will be aware that they are responsible for undertaking the great majority of functions on behalf of the Council and for making decisions in respect of those functions as long as those decisions are in accordance with the budget and policy framework set by the Council. Deciding on the award of this particular tender is, on the face of it, an Executive function. However, given that awarding the tender to any of the three bidders amounts to a fundamental change in the delivery mechanism for these particular services, it is arguable that such a radical change represents a variation to the Council's existing policy framework for the services. That being so, it is recommended that the Executive make a recommendation on the appointment and the consequential change in service delivery to the full Council so that the Council can in effect approve any change in the current policy framework inherent in this course of action. This is consistent with the advice set out in paragraph 2.5.1 of the DTLR Guidance Note on operating the new constitutional arrangements.

3. OUTCOMES OF EVALUATION

A working group of officers and Members has undertaken, with the assistance of external consultants (Strategic Leisure) a detailed assessment of the tenders received and the organisations concerned. The working group met on 5 occasions and minutes of these meetings are available for inspection by Members. The details of the evaluation process were agreed by the Executive in January and were included in the information which was distributed to tenderers. The process has encompassed:

- **The Quality Evaluation Matrix.** A detailed, independent assessment of the service quality elements of the tenders has been conducted by the Council's Consultants, Strategic Leisure Ltd in accordance with the published methodology which has resulted in scores which have been weighted on a balanced scorecard. The weighting methodology has been agreed by the Executive to reflect its priorities after consultation with the Community Overview and Scrutiny Committee during the consultation described in Section 2 of this Report. A copy of the completed scorecard is attached and detailed supporting documentation is available for inspection by Members by arrangement with the Director of Leisure and Community Development. It should be noted that scores are meant to be relative values not absolute values. At the same time Officers of the Council carried out a separate, parallel, exercise to "cross check" the views of the consultant before they had seen the results of his detailed assessment. No significant differences of opinion emerged from this so the scores awarded by the consultant have formed the sole basis for this part of the evaluation.
- **Financial Evaluation Matrix.** Detailed assessments were carried out by the City Treasurer and the consultant to enable like for like comparisons to be made between the submissions. A comparison was also made with the present costs of the service. This enabled the financial aspects of the tenders to be scored in accordance with the published criteria. The results of this were also fed into the Evaluation Matrix which is attached (supporting documentation is again available for inspection by arrangement with the Director of Leisure and Community Development).

- **Site Visits** by two members of the Executive and the Director of Leisure to facilities in the North of England operated by the tendering organisations. Detailed notes of these visits were compiled and used to support or challenge issues arising from other elements of the evaluation process. (Supporting documentation is available for Members' inspection by arrangement with the Director of Leisure and Community Development.)
- **References** were taken up from a number of authorities who already have contracts with the organisations concerned. (Supporting documentation is available for Members' inspection by arrangement with the Director of Leisure and Community Development.) References were not taken up for Leisuretime since they could only have come from the Director of Leisure Services which would not have been appropriate.
- **Interviews** were conducted by two members of the Executive supported by a group of officers and the consultants. Interviewees were asked to make a presentation on the management support structure they would provide for the operation of the services in Carlisle. Each interview lasted 1½ hours and provided the opportunity to address queries which had emerged from other elements of the evaluation. (Supporting documentation is available for Members' inspection by arrangement with the Director of Leisure and Community Development.)

4. CONCLUSIONS

The working group diligently undertook all of the above elements of the evaluation, in accordance with the previously published arrangements. On the conclusion of the interviews all of the evidence available was reviewed. The view was taken that the evidence which had emerged from the visits, references and interviews supported rather than contradicted the quantitative elements defined in the evaluation matrix. The scores on the matrix were therefore used as the basis for the conclusion that the preferred partner should be the Leisuretime NPDO. The reasons for this choice are:

- The qualitative evaluation demonstrated that Leisuretime NPDO is capable of delivering to the required service standards and that the systems are in place to secure continuous improvement in those standards and in customer satisfaction. This was at least equal to the best alternative company.

- The financial evaluation demonstrated that Leisuretime NPDO can deliver the greatest reduction in revenue costs and at the same time provide the required capital investment. (Alternatively the Council could chose an option proposed by Leisuretime under which the Council provides the capital investment in exchange for a greater revenue reduction.) Both options produced better financial benefits than any from the alternative companies.
- The visits supported the conclusions of the qualitative evaluation.
- The references supported the conclusion that the quality of services offered by one of the competitors was likely to be equivalent to the services offered by Leisuretime but that the performance of the other company was less consistent.
- The interviews allowed the clarification of many points in all of the submissions but provided no reason to change the conclusion to be drawn from of the other elements of the evaluation.

5. OTHER ISSUES

5.0. Outstanding Issues

A number of issues, in relation to each of the proposals, arose during the evaluation and remained to be resolved during the negotiations. In the case of the Leisuretime submission these issues included the following. In the judgement of the working group none of these present insurmountable problems.

- Greater detail is require on how Leisuretime proposed to meet the requirements of the BV Action Plan to improve customer satisfaction with the catering arrangements at the Sands Centre.
- A detailed plant and equipment maintenance/renewal programme over the life of the contract is required.
- The arrangements for providing support services to the contractor need to be more fully developed and the opportunity for the contractor to purchase some elements of these services from the City Council needs to be considered.
- The need for and availability of a bond in respect of discontinuation of service needs to be considered.

- Leisuretime produced three financial options (as they were required to do) Revenue only, Revenue and Capital and a Preferred option. Any one of these options produces a better financial outcome for the city than any from the alternative companies. A further report to the Executive will be produced, following negotiations with Leisuretime, on which of the options is to be preferred.

6. NEXT STEPS

This process has been designed to choose a preferred partner. Once that choice has been made we will need to enter into detailed discussions and negotiations with the organisation concerned to finalise details of:

- The Contract
- Service Standards and Performance Targets
- Financial Arrangements
- Capital Improvements and capital funding
- Hand over arrangements

The Officer groups which prepared the documentation already has these matters in hand and will progress the transfer as quickly as possible, the final terms and any key issues being referred to the Executive.. Our target date is 1st November 2002 though this needs to be discussed more fully with Leisuretime and will depend on the speed of progress on the complex issues to be resolved.

7. STAFFING/RESOURCES COMMENTS

Human Resources and TUPE issues formed a part of the evaluation process in order to safeguard the interests of staff. Detailed arrangements for the staff transfer will need to be formalised during the negotiations which follow.

8. CITY TREASURER'S COMMENTS

The City Treasurer has been represented on the Evaluation Working Group and concurs with the conclusions of that group. The choice of the financial arrangement (section 4) and the detailed terms of the final contract can only be determined during the negotiations with the preferred partner and a further report on the options

available and the financial consequences of the options will come forward in due course.

5. LEGAL COMMENTS

The City Solicitor and Secretary has been consulted in the preparation of this Report. He reiterates again here the comments made in paragraph 2.1 in respect of referring the matter to the full Council with a recommendation for the reasons given.

6. CORPORATE COMMENTS

The report has been fully considered by the Chief Officers Management Team and the recommendation supported.

7. RISK MANAGEMENT ASSESSMENT

The Risk Assessment prepared for this process is appended and the monitoring information has been updated.

8. EQUALITY ISSUES

Leisuretime have undertaken, in their submission, to adopt all of the Council existing equality policies.

9. ENVIRONMENTAL IMPLICATIONS

An Environmental Method Statement was required from contractors and was assessed as a part of the evaluation process.

10. CRIME AND DISORDER IMPLICATIONS

N/A

11. RECOMMENDATIONS

That the Executive recommend to full Council:

1. that Leisuretime NPDO be selected as the preferred partner for the future operation of the facilities as defined
2. that officers report further on which of the financial options identified in Section 4 of this report is to be preferred.
3. that officers be authorised to enter into negotiations to formalise a contract whereby Leisuretime NPDO is appointed as the Council's partner for delivery of the services and the Capital Improvement Programme and to take all necessary actions to achieve this.
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5. That the proposed final terms of the contract should be report back through the Overview and Scrutiny (Community) Committee and through the Executive before the contract is entered into.
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12. REASONS FOR RECOMMENDATIONS

Detailed above.

Documents used in the preparation of this report and available in confidence to Members are:

Tender submissions from DC Leisure, Glendale and Leisuretime;
Evaluation Documentation produced by Strategic Leisure;
Notes of Site Visits;
City Treasurer's Financial Appraisal;
Notes of Formal Interviews