

# Report to Community Overview and Scrutiny Panel

Agenda  
Item:  
**A.4**

Meeting Date: Thursday 1st September 2016  
Portfolio: Culture, Heritage and Leisure  
Key Decision: Not Applicable:  
Within Policy and  
Budget Framework NO  
Public / Private Public

Title: NEW LEISURE CONTRACT PROCUREMENT UPDATE  
Report of: The Deputy Chief Executive  
Report Number: SD 16/16

**Purpose / Summary:**

This report provides the Community Overview and Scrutiny Panel with an update on the Leisure Contract Retender Exercise.

The retender work was paused in January 2016 to allow for a full assessment of the extent of damage to the leisure estate, the repair and reinstatement of the facilities, and to ensure that any longer term implications of the flooding are reflected in the retender exercise.

**Recommendations:**

1. That Community Overview and Scrutiny consider the update on the Leisure Contract retender and provide comment on the current position.

**Tracking**

Executive:	
Overview and Scrutiny:	
Council:	

## **1. BACKGROUND**

- 1.1 Throughout 2015 the Community Overview and Scrutiny Panel were provided with a series of reports which outlined proposals and a programme for retendering the City Council's existing leisure contract.
- 1.2 In October 2015 the Executive approved the early retender of the contract in order to realise early savings on the contract fee and expedite delivery of the Council's Sports Facilities Strategy (most notably the replacement of the St. James Street Pools).
- 1.3 The reports detailing these proposals in full were considered by COSP at their June 2015 and October 2015. The October 2015 report is attached at Appendix 1 to provide new members of the COSP a fuller background to the leisure contract retender.
- 1.4 In early 2016 COSP was advised that the Leisure Retender exercise had been placed on hold due to the uncertainty created by the flooding events of December 2015.
- 1.5 The effects of Storm Desmond on the City Council's Leisure Estate were extensive and have been well documented. In the early part of the 2016 the extent of damage remained unclear.
- 1.6 It was understandably important that those tendering for the contract felt confident about the reinstatement of the Council's assets and to assist this, a reinstatement plan would need to be in place prior to the tender being officially put on the market.
- 1.7 The reinstatement plan would also allow the Council to understand the value of the facilities it was replacing and the programme of work required to return the facility to the agreed standard. It was expected that the providers in the market would also have ideas about adding resilience to the Council's facilities and improving the mix and provision of facilities (in line with their own business models).

## **2. CURRENT FACILITIES POSITION**

- 2.1 **The Sands Centre** - The impact on the Sands Centre was relatively minimal (despite the entire ground floor being flooded) and the centre reopened within 10 days of the flood and all services / functions are now operational. There remains minor repair works to undertake to the various floorings (which will be managed to minimise disruption) but the centre is essentially fully recovered.

As part of any retender exercise bidders will be expected to engage fully with the Council's proposals for redeveloping the site to include swimming facilities and

these proposals will remain a central part of the retender exercise. We have already opened discussions with Sport England Architects to seek advice on ensuring that the development of the site involves suitable flood resilience (particularly given the increased footprint, value and complexity of service media and plant on the site).

- 2.2 Stony Holme** - Stony Holme golf course has been recovered and has been open to members and the public since May this year. Limited temporary ancillary facilities are in place for users and staff on site.

The clubhouse remains closed, however as part of the Council's wider reinstatement programme, we are aiming to have the required clubhouse works out to tender before Christmas and a construction firm on site early in the New Year.

We have revisited some of the parties that expressed an interest in operating our golf services as part of last year's leisure contract soft market testing, and they have confirmed they remain interested in tendering. Given this we will progress as intended before the flood, with golf services issued as a separate lot within the leisure contract tender (to maximise specialist interest).

- 2.3 Bitts Park** - The upper courts have been open to the public since Easter. Permanent repair works to the fencing and floodlighting for these courts will commence imminently (in time for the winter months).

The lower courts remain out of action, however they were due to be resurfaced and redeveloped as part of the proposed canopy development. On that basis we have not progressed repair works as they will be unnecessary as and when the canopy project commences. We are currently awaiting the release of funds from the LTA (Lawn Tennis Association) Trust but envisage works starting in the Autumn.

The Kiosk was insured and will form part of the Council's reinstatement programme, however we are still working alongside White Young Green to form a view on the best provision and layout of facilities in the park (taking account of future needs and the insurance settlements and functions of the Kiosk, Park Keeper's Lodge and Bitts Park Depot).

- 2.4 The Sheepmount** - The Athletics facilities have reopened in a limited and controlled manner. They have extremely limited ancillary facilities at this stage (a small portacabin and portaloo). The jump pits still need to be temporarily reinstated. However the track and some field facilities are back open for club training.

Temporary changing rooms are being sourced ahead of the football season and repair works to the pitches and turf have been completed to ensure that the facility can provide some football pitches from September.

The changing rooms and buildings will now be considered as part of the Council's reinstatement programme although an outline timetable for this work is still subject to confirmation.

We are in discussions with Sport England and other specialist providers to explore what resilience measures could be built into the athletics track and facilities if they are to be fully reinstated at the Sheepmount site.

The retender exercise will also present an opportunity to seek the expertise and input from operators, who will also have considerable experience and clear views on the configuration of facilities at the site, and how they can best be managed to mitigate flood risks.

### 3. NEXT STEPS

- 3.1 Given the recovery position of facilities and the development stage of the Council's reinstatement programme, it is considered that there is enough certainty to open meaningful negotiations with potential operators via the retender.
- 3.2 The proposals for the retender process have not changed in terms its structure or approach. The previous report submitted to COSP in October (and attached to this report at Appendix 1) details this fully. Clearly however the timetable has changed significantly.

The table on the following page presents an updated timetable.

<b>Stage</b>	<b>Process element</b>	<b>Timeline</b>
Phase 1	Council issues its requirements seeking outline proposals from interested parties	September 2016
Phase 2	Respondents are evaluated for technical ability and financial standing and their outline proposals	November 2016
Phase 3	Council issues its refined requirements and invites detailed proposals from 2-3 shortlisted bidders	November 2016
Phase 4	Discussions with shortlisted bidders	December 2016
Phase 5	Submission of detailed proposals	February 2017
Phase 6	Evaluation of detailed proposals	March 2017
Phase 7	Appoint Preferred Bidder	April 2017
Phase 8	Contract Award	May 2017
Phase 9	Completion and mobilisation	June – August 2017

The process will require various levels of approval at different stages. As a minimum, further Executive consideration will be sought in advance of Phase 8.

#### **4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

4.1 "We will develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle."

**Contact Officer: Darren Crossley**

**Ext: 7004**

**Appendices  
attached to report:**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- None

#### **CORPORATE IMPLICATIONS/RISKS:**

**Chief Executive's -**

**Deputy Chief Executive –**

**Economic Development –**

**Governance –**

**Local Environment –**

**Resources –**

# Report to Community Overview and Scrutiny Panel

Agenda  
Item:

Meeting Date: 15<sup>th</sup> October 2015  
Portfolio: Culture, Health, Leisure and Young People  
Key Decision: Yes  
Within Policy and Budget Framework: No  
Public / Private: Public

Title: LEISURE CONTRACT  
Report of: DEPUTY CHIEF EXECUTIVE  
Report Number: SD 23/15

### Purpose / Summary:

Officers have been examining options for the procurement of a new contract for the operation of the Council's leisure centres and sports facilities. The existing contract with Greenwich Leisure Limited (GLL), following the merger with Carlisle Leisure Ltd (CLL), is due to expire on 30<sup>th</sup> November 2017. Decisions need to be taken as to how a new contract will be awarded. Any decisions related to the award of a new contract will have to take into account the Council's investment plans for leisure. The award of any new contract will need to follow a process which is fully compliant with new procurement law.

An options report was commissioned from specialist advisors V4 Services Ltd and approval given for a pre procurement phase (market engagement exercise) which was completed during September 2015.

### Recommendations:

1. That Community Overview and Scrutiny Consider the proposals within this report and provide comment ahead of Executive consideration.

### Tracking

Executive:	19 <sup>th</sup> October 2015
Overview and Scrutiny:	15 <sup>th</sup> October 2015
Council:	

## 1. BACKGROUND

### 1.1 Context

The existing leisure contract with GLL (formerly CLL) commenced on 29<sup>th</sup> November 2002 and covers the provision of leisure services and site operation across leisure facilities, including;

- Sands Centre;
- The Pools;
- Sheepmount Athletics Stadium;
- Swifts and Stonyholme Golf Course;
- Leisure and sports services in Bitts Park.

Under the existing contract, the Council currently pay a combined direct revenue subsidy of £732,000 per annum to GLL. GLL retain the operating revenues generated from fees and charges levied for the use of the facilities and services to further support their operations. Whilst the current contract will not expire until 30<sup>th</sup> November 2017, the Council recognises the benefits associated with addressing the options related to the contract as early as possible in order to secure the best possible outcome; which will also help to deliver the Councils' facility investment plans and savings requirements.

Initial discussions with GLL have confirmed that they are willing to terminate the contract early to allow the Council to benefit from new contractual arrangements, subject to agreement of how best to allocate any reasonable termination costs GLL may incur.

### 1.2 Investment plans

The Council is seeking to close the existing "Pools" site and build new swimming and leisure facilities at the Sands Leisure Centre (currently a "dry" site) while also delivering wider improvements on the same site. The indicative capital cost for the "core" development of new swimming pools is c.£6m (at 2013/14 prices). An extended scheme which includes further improvements and a wider range of facilities is estimated to cost c.£9m (at 2013/14 prices). Sport England have indicated that they may make a contribution of between £500k and £2m, depending on various factors and subject to further applications. However, even if Sport England provide the maximum level of contribution (£2m) this would leave the Council with a capital funding requirement of either c.£4m (core scheme) or c.£7m (extended scheme).

Provision has been made within the City Council's Medium Term Financial Plan to cover the cost of prudential borrowing for capital works up to £5m. The Business Case for Prudential Borrowing is predicated on securing reductions in the net revenue subsidy

provided to the Leisure Operator by the Council under a new contract. The Council is therefore considering how best to secure the reduction in net revenue subsidy sufficient to meet or exceed the annual cost of finance (prudential borrowing). A further saving of £329k is required from the service to meet the Council's identified savings requirements. The outcome of meeting the saving requirement and the cost of borrowing will be to extinguish the current subsidy provided.

### 1.3 Market engagement – pre-procurement process

A market engagement exercise was undertaken with interested community leisure operators during September 2015.

The market engagement process comprised of the preparation, publication and circulation to the market of a Prospectus which set out the nature of the opportunity for partnering / engaging with the Council and invited experienced Leisure Operators to identify how they felt the Council will be best able to secure the range of outcomes it seeks within an arrangement which is mutually viable and affordable.

V4 sought/received 13 enquiries from operators and received responses from seven operators who were subsequently invited to discuss their interest in the scheme and how they could assist the Council deliver its objectives:

- There is significant market interest in any opportunity to re-tender the leisure services contract and support for the Council's approach to investing in the Sands Centre
- Amongst the operators there was a widespread consensus that with sufficient investment in an extended and remodelled Sands Centre and transformed leisure services, there is potential to deliver a zero subsidy position over the term of a contract although it would be a significant challenge
- There is a clear preference for a longer term contract period to allow operators to transform the services and generate a return on their investment
- There was interest in improving the golf offer and removing the subsidy during any contract, either as part of a wider leisure service contract or as a standalone agreement
- A number of operators would be interested in project managing the design and build elements of the Sands Centre scheme, as they believe they could offer cost and time savings for the Council as they have extensive experience in this area.
- The proposed timetable is very tight and may need amending slightly to reflect the capacity of operators to submit quality bids in what is currently a very busy market for tender opportunities

It is important to note that the individual responses to the engagement exercise were not evaluated as the process as this stage is purely informal. The outcomes have helped to form the procurement strategy and define the process.

## **2. PROPOSALS**

### **2.1 Legal compliance**

The Council needs to ensure that the process it follows before awarding a new leisure management contract is compliant with UK and EU legislation. Advice has been provided by V4 Services on various procurement route options for both the building of new facilities (Works) and the provision of management for the Sports and Leisure Facilities (Services). The advice from V4 Services is that the Works and Services would be better procured separately, with the leisure services procured as a concession contract. Concession contracts currently are exempt from the EU procurement regulations, although the Council needs to ensure that any process is fair, transparent and equitable and compliant with the Council's own standing orders.

For both the Works, and the Services, the Council will seek appropriate legal advice at each stage of the procurement process and for the subsequent award of contracts.

### **2.2 Timing**

The report sets out the various stages in a tendering process which advisors recommend should be concluded as soon as possible.

The major benefits that would accrue from completing a process well in advance of the current contract extension date (following agreement with GLL) would include;

- Earlier delivery of savings from a reduction in the management fee
- Savings can be used to help fund the cost of borrowing for the Council's investment in the new leisure facilities
- The Council can go ahead with the project to build the replacement for the Pools, avoiding some of the escalating repair costs now being incurred, and providing service continuity for local people by making sure that the Pools are replaced before the risks of a major building or plant failure leading to a facility closure
- The Operator can be in place early enough to make valuable contributions in the final design and fit out for the new leisure facilities and may also be able to use their experience to assist the Council in the project management of the scheme
- Staff employed at the leisure centres will not have to suffer from further uncertainty about when the procurement will take place

- The Council will have time to deliver a process which is innovative and able to allow bidders to propose different ways to meet the Councils ambitious plans for the service.

### 2.3 Stages and indicative timeline in the tendering process culminating in the award of a new contract

The proposed procurement process that will lead to the award of a contract has been developed based on advice from legal and financial officers from V4 Services and the outcomes of the market engagement exercise. It is proposed that the contract is procured as a services concession involving the following key stages;

<b>Stage</b>	<b>Process element</b>	<b>Timeline</b>
Phase 1	Council issues its requirements seeking outline proposals from interested parties	Late November 2015
Phase 2	Respondents are evaluated for technical ability and financial standing and their outline proposals	Early January 2016
Phase 3	Council issues its refined requirements and invites detailed proposals from 2-3 shortlisted bidders	Mid January 2016
Phase 4	Discussions with shortlisted bidders	Mid January to Late February 2016
Phase 5	Submission of detailed proposals	Early March 2016
Phase 6	Evaluation of detailed proposals	March 2016
Phase 7	Appoint Preferred Bidder	Early April 2016
Phase 8	Contract Award	Early May 2016
Phase 9	Completion and mobilisation	May – July 2016

The process will require various levels of approval at different stages. As a minimum, further Executive consideration will be sought in advance of Phase 8.

Further specialist legal and procurement advice may be required to complete the procurement exercise with the costs of this estimated at up to £125,000. Budgetary provision has been made via the Leisure Reserve and Executive will be asked to approval expenditure against this budget up to £125,000.

### **3. CONSULTATION**

- 3.1 Internally via the Council's corporate structures and processes
- 3.2. Council Members have been notified of the proposals and afforded the opportunity to comment via prior Executive Reports and the Community Overview and Scrutiny Panel.
- 3.3. Further appropriate consultation will be undertaken as part of the process at suitable points in the procurement exercise.

### **4. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

4.1 The key recommendation coming out of the V4 Services report was that the Council should design a bespoke procurement process which will involve competitive dialogue with bidders, and that this process should commence following a pre procurement market engagement exercise. This exercise has identified extensive market interest in the opportunity and officers recommend that procurement should commence as soon as possible to enable the Council to benefit from the predicted revenue savings early in the 2016/17 financial year.

### **5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

5.1 "We will develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle."

**Contact Officer: Darren Crossley**

**Ext: 7004**

**Appendices  
attached to report:**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- None

## **CORPORATE IMPLICATIONS/RISKS:**

**Chief Executive's -**

**Deputy Chief Executive –**

**Economic Development –**

**Governance –** A number of legal agreements will need to be prepared, including with V4 for the next phase of advice and, ultimately, with the successful leisure partner. Any procurement process must be compliant with EU and UK Regulations as stated in the report. Consideration needs to be given as to whether to procure both Services and Works Contracts together or the Services Contract at this stage then to procure the Works Contract in partnership with the successful services provider after the Services Contract has commenced. The advice from V4 is that the latter approach would be preferable. It is important to note that, while a services concession contract is exempt from the full procurement regulations (although must still comply with European Treaty principles) a contract for works is not and must be OJEU compliant.

**Local Environment –**

**Resources –** The procurement of a new leisure contract will require the use of external advisors that can be provided via an established Framework agreement. The cost of procurement and legal advice can be met from the Leisure Reserve, which was established for this purpose and which use of is delegated to the Deputy Chief Executive, Director of Resources and Portfolio holder. The Procurement process itself will follow the requirements for a contract of this scale, i.e. be EU compliant.

The Medium Term Financial Plan assumes that the cost of borrowing for any capital investment required to develop new facilities will be met from a reduction in the level of subsidy provided to the operator. There is also a requirement to make a further £329,000 savings from 2018/19 as a result of the procurement of a new contract. It is likely that these will lead to a zero subsidy situation in any new contract.