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|  | ACTION TAKEN UNDER DELEGATED POWERS BY OFFICER 16th October 2017 |
| Title | Leisure Management Contract Award |
| Report of | Strategic Director (Adults, Communities and Health) |
| Wards | All |
| Status | Public (with separate exempt report) |
| Enclosures | None |
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Summary

To award the Leisure Management Operation contract ref 701592 to Greenwich Leisure Limited (GLL) effective from 1st January 2018 to the 31st March 2029.

The contract will include the management and operation of the following facilities;

- Barnet Cophall Leisure Centre (existing, proposed closure 2019)
- Barnet Cophall Leisure Centre (new, proposed opening August 2019)
- Hendon Leisure Centre
- Burnt Oak Leisure Centre Centre
- Finchley Lido Leisure Centre
- Church Farm Leisure Centre (current, proposed closure 2019)
- New Barnet Leisure Centre (new, proposed opening May 2019)

The contract includes the provision of leisure management services for 10 years with an option to extend for a further 5 years subject to budget and performance.

The Leisure Management Contract is valued at £100m and will deliver an annual average management of fee of £1.538m to the Council.

Decisions

- 1. To award the Leisure Management Contract to Greenwich Leisure Limited (GLL) for a period of 10 years, with an option to extend for 5 years taking effect from the 1st January 2018 up to 31st March 2028.**
- 2. To authorise Officers to enter into initial engagement arrangements with Greenwich Leisure Limited to progress the transition and mobilisation requirements (within the scope of the procurement requirements) following expiry of the standstill period and contract award.**
- 3. To approve the use of the existing leisure budget for annual management fee payments in contract year 1 and year 2 only.**
- 4. To approve the implementation of the core facility developments included within the Final Tender submission outlined by Greenwich Leisure Limited.**

1. WHY THIS REPORT IS NEEDED

- 1.1 In 2012/13 as part of the Medium Financial Term Strategy (MTFS) Barnet Council embarked on a review of leisure services, with the subsequent initiation of the Sport and Physical Activity (SPA) Project. Following the establishment of an Outline Business Case, extensive research and stakeholder engagement the project has taken a strategic and methodological approach in defining and shaping the future of a leisure offer.
- 1.2 On 17 February 2015 the Policy and Resources Committee agreed the revised Outline Business Case and therefore approved recommendations which enabled the project to be defined by the following outputs;
 - To deliver the construction of two new leisure centres.
 - To deliver a new leisure management contract, delivering benefits stated in the SPA Revised Outline Business Case.
 - To develop an innovative procurement process that measurably improves the health and wellbeing of the residents of Barnet.
 - To work with stakeholders to ensure that the new leisure management contract aligns with national, regional and local priority outcomes.
- 1.3 The existing leisure management contract is a first generation leisure contract which has been in operation for 15 years and expires on 31st December 2017. The average management fee paid to the operator throughout this period has equated to an average of £1.2 million per annum.

- 1.4 The Revised Outline Business Case (February 2015) included the commission of a Feasibility Study (2015), analysis of building condition and revised business modelling (2016), which all indicated revenue projections that the Council could reasonably expect from the estate, which included capital investments at Barnet Copthall and the replacement of Church Farm Leisure Centre. This was predicted within a range from £700,000 to a revised and stretched optimum value of £1,538,000 per annum.
- 1.5 This review also highlighted the construction of new leisure facilities play a critical role in sustaining and developing the commercial position for leisure estate, enabling wider opportunities to engage with the core and non-core market whilst co-locating opportunities and creating destinations within the Borough.
- 1.6 Following a competitive procurement process which commenced in November 2016, the Final Tender Stage evaluation conclusion indicates Greenwich Leisure Limited as the Council's preferred bidder.

2. REASONS FOR DECISIONS

- 2.1 Following Final Stage completion of the competitive tender process Greenwich Leisure Limited have successfully scored the highest result from the two remaining tendered suppliers.
- 2.2 It is anticipated that following completion of the standstill period, the Contract Award will be entered into and specific contract schedules and documentation will be finalised in accordance with the main contract.
- 2.3 In recommending the identified operator, it is acknowledged that Greenwich Leisure Limited are the incumbent operator of Council leisure facilities. A key aspect of de-commissioning the existing contract will focus on the mobilisation of the new leisure management contract arrangements, which place a significant focus on developing a whole system approach to leisure services.
- 2.4 Greenwich Leisure Limited have proposed commitments to be delivered throughout the contract term that will seek to deliver core capital investments in addition to supporting a range of health benefits, working with partners to develop leisure provision, whilst providing financial sustainability through a management fee paid to the Council.
- 2.5 Outcomes specifically relate to areas defined within National, Regional and local strategy which focuses on;
 - Physical wellbeing
 - Mental wellbeing
 - Individual development

- Social and community development
- Economic development

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.1 The Revised Outline Business Case (February 2015) provided detail within the report that explored and rejected options of; Re-Tendering the Management Contract with no capital investment, the closure of facilities and Operator Design, Build, Operate and Manage Contracts (DBOM). All options were considered and not recommended as they did not present the achievement of best value.

4. POST DECISION IMPLEMENTATION

4.1 Following authorisation, Greenwich Leisure Limited will be appointed and formal contract documentation completed with the support of appointed lawyers, HB Public Law.

4.2 It is anticipated that following completion of the standstill period, the subsequent timetable will be implemented;

4.3

| Period | Activity |
|-------------------------|---|
| October – December 2017 | Decommission of existing leisure management contract. |
| October – December 2017 | Finalisation of contract documents and schedules with preferred bidder. |
| January 2018 | Commencement and implementation of new leisure management contract. |
| January – December 2018 | Initiate Year 1 operator programme delivery, inclusive of reporting requirements. |

4.4 A fundamental aspect of the leisure management contract seeks to support a range of health outcomes and it is expected that throughout this contract period, GLL will work with the Council to review priorities and ensure continuous improvement, whilst responding to local needs. Where material changes or variations to the contract are required this will be governed in accordance with contract documentation and policy.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Contract Award to Greenwich Leisure Limited aligns with the Corporate Plan 2015-2020 which is based on the core principles of fairness, responsibility and opportunity to make sure Barnet is a place:

- Of opportunity, where people can further their quality of life

- Where people are helped to help themselves, recognising that prevention is better than cure
- Where responsibility is shared, fairly, and
- Where services are delivered efficiently to get value for money for the Taxpayer

5.1.2 The Final Tender submission provided by GLL also aligns commitments, benefits and outcomes proposed to the Councils Joint Health & Wellbeing Strategy 2015-2020 and the Fit & Active Barnet Framework 2016-2021.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

Procurement

5.2.1 In February 2015, Policy & Resources Committee approved the Sport & Physical Activity Revised Outline Business Case providing recommendations which subsequently separated the DBOM option and approved to deliver construction of proposed new leisure facilities through the Council's Aggregated Procurement. The re-provision of a Leisure Management Contract would be a separate procurement, and delivered through an approach of Competitive Dialogue Procedure.

5.2.2 A Competitive Dialogue procurement exercise was undertaken using the flexibilities allowed under the 'light-touch' regime, in accordance with Regulations 30 and 74 of the Public Contracts Regulations 2015. This procedure was released to market through an advertisement placed in the Official Journal of the European Union with reference number 2016/S 211-384646 (published 2 November 2016).

5.2.3 The procurement exercise comprised four stages as follows: Stage 1 – Market Engagement. Following release of an OJEU advertisement further market engagement with release of Memorandum of Understanding (MOU) and Selection Questionnaire took place during November-December 2016. Three suppliers expressed an interest through Barnet's e-portal and three submissions were received. These were evaluated and in accordance with the procedure all three submissions were long listed to the next stage.

5.2.4 Stage 2 – Invitation to Submit Outline Solutions (ISOS); this stage took place from January – March 2017, with three invitations to participate released. One bidder withdrew from the process at this stage; subsequent to which two ISOS Tender submissions were received. These were evaluated and the both submissions were shortlisted and invited to the Invitation to Submit Detailed Solutions (ISDS) stage. Evaluation of the ISOS submissions was undertaken in accordance with the tender document evaluation criteria for ISOS stage which comprised of quality 45%, price 55%.

5.2.5 The results of the ISOS Stage are demonstrated below in Table 1:

Table 1

| ISOS Criteria | Greenwich Leisure Ltd (GLL) | Supplier 2 |
|---------------|-----------------------------|------------|
| Quality- 45% | 30.15 | 28.35 |
| Price – 55% | 51.15 | 51.15 |
| Total- 100% | 81.30 | 79.50 |

5.2.6 Stage 3 – Invitation to Submit Detailed Solutions (ISDS); this stage took place from March – July 2017. Two Invitations to participate in ISDS were released and involved bidders attending a series of dialogue meetings in advance of ISDS submissions. Evaluation of the ISDS submissions was undertaken in accordance with the tender document evaluation criteria for ISDS stage which comprised of quality 50%, price 50%.

5.2.7 The results of the ISDS Stage are demonstrated below in Table 2:

Table 2

| ISDS Criteria | Greenwich Leisure Ltd (GLL) | Supplier 2 |
|---------------|-----------------------------|------------|
| Quality- 50% | 34.20 | 31.75 |
| Price – 50% | 46.50 | 47.25 |
| Total- 100% | 80.70 | 79.00 |

5.2.8 Further dialogue was scheduled with bidders to refine detailed solutions, this dialogue sought to exploit opportunities for improvement of tender submissions, obtain reliable commitments for the Council and to clarify expectations to the bidders. This process concluded and the exercise moved forward into the final stage 4.

5.2.9 Stage 4 – Invitation to Submit Final Tenders (ISFT): this stage took place in August 2017. After addressing formal clarification requests from both suppliers, officers deemed that dialogue had been adequately concluded, and final tenders were invited. Two Invitations to Submit Final Tender (ISFT) were released with two submissions received in accordance with submission deadline.

5.2.10 Evaluation was undertaken in accordance with the tender document evaluation criteria for ISFT stage which comprised of 50% quality, 50%, price. The outcome of the evaluation identifies the award of the Leisure Management Operation Contract.

5.2.11 The results of the ISFT tender evaluation process are summarised in Table 3 outlined below;

Table 3

| ISFT Criteria | Greenwich Leisure Ltd (GLL) | Supplier 2 |
|---------------|-----------------------------|------------|
| Quality- 50% | 37.25% | 32.25% |
| Price – 50% | 47.25% | 46.50% |
| Total- 100% | 84.50% | 78.75% |

5.2.12 The outcome of the evaluation results included in 5.2.11 Table 3 above indicate a contract award to Greenwich Leisure Limited.

Finance and Value for Money

5.2.13 The existing leisure management is a first generation leisure contract, which has required an average annual payment of £1.2 million by the Council to the operator. The new contract commercial position demonstrates a significant shift from the existing status representing a positive financial adjustment.

5.2.14 The award of contract to GLL will provide the Council an average annual management fee paid of £1.538 million over the contract duration and achieves the optimum fee outlined within the projected revenue calculations as part of the Revised Outline Business Case (February 2015).

5.2.15 The annual management fee is guaranteed through a profile fee, which was considered reasonable based on the contract specification, documentation provided and responsibilities of the operator. At all stages of the procurement suppliers reflected early contract year 1 and year 2 management fee payments from the Council to the Operator to achieve business plan deliverability.

5.2.16 The proposed profile fee will be agreed prior to contract start – i.e. variable fees are agreed for each contract year in advance of contract commencement and these are not varied throughout the course of the contract. If variations to the annual fee are required (e.g. through capital investment) this will be reviewed and managed through a Contract Change.

5.2.17 The annual management fee received will be used to offset the cost of capital investment from the prudential borrowing requirements, specifically relating leisure facility developments at Barnet Copthall Leisure Centre and New Barnet Leisure Centre in Victoria Recreation Ground.

5.2.18 The contract also includes implementation of a Surplus Share arrangement that is predicated on performance and the achievement of the outcomes specified within the Councils KPI Scorecard.

5.2.19 Schedules of the contract also include the introduction of a Contract Payment and Performance Schedule that is focused on delivering consistent service standards and where applicable annual financial adjustments are incurred in relation to default and failure.

Property

5.2.20 The Final Tender submission provides a core capital investment across the portfolio, with notable developments at Finchley Lido Leisure Centre, Burnt Oak Leisure Centre and Hendon Leisure Centre to be delivered throughout the contract term.

Legal and Constitutional References

5.2.21 HB Public Law have provided legal and procurement advice in relation to the procurement of the Leisure Management Contract.

5.2.22 The procurement process has been conducted using the Competitive Procedure using the flexibilities allowed under the 'light-touch' regime by following the Public Contracts Regulations 2015 (the Regulations), Regulation 30 and 74.

5.2.23 The tender evaluation and award process, outlined in this report has produced the most economical and advantageous tender in accordance with the Regulations and the Council's duty to provide value for money.

5.2.24 The authorisation and acceptance of this procurement is in accordance with the Council's Contract Procedure Rules, Appendix, 1 Table A (Constitution Item 22 8) - Award of contract by an officer in consultation with the relevant Committee Chairman. .

5.2.25 In inviting tenders the Council have used the Sport England Industry standard Contract with modifications which will need to be completed along with other supporting legal documents.

5.2.26 In undertaking the design of the specification and from having consulted with the various stakeholders to contribute towards this, the procurement process for this project has properly considered and assessed social value throughout in accordance with the Social Value Act 2013.

5.3 Risk Management

5.3.1 Following issue of the notification letters to bidders there is a risk that the

unsuccessful bidder may challenge the outcome. This could delay appointment of the preferred bidder until the challenge has been concluded.

5.3.2 In arriving at the recommendations included within this report officers have conducted a due diligence exercise on all aspects of the evaluation process to ensure that the procurement process has been conducted in a robust manner.

5.3.3 In relation to the management of facilities, the operator shall service and maintain all items in accordance with statutory requirements and manufacturers recommendations and the other provisions of the contract documentation.

5.3.4 However, there are a number of items which the Council will retain lifecycle replacement responsibility as described in the contract agreement. All facilities will be inspected as a minimum on a quarterly basis, and as such building performance will be monitored through the reporting cycle.

5.4 Equalities and Diversity

5.4.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

- The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services

5.4.2 The Final Tender submission provided by Greenwich Leisure Limited reinforces their corporate approach to equality and diversity which is reflected through company policy, training and service operation.

5.5 Consultation and Engagement

5.5.1 In 2015/16 a period of extensive engagement commenced in order to shape and design the procurement of a new leisure contract. This process included communication and events with the operator market, leisure professionals, local stakeholders, partners and colleagues within Barnet Council. This process was led by the Council and Capita Procurement, with support from FMG Consulting who were commissioned in March 2016 and have acted in an advisory and supporting role throughout the procurement process.

5.5.2 The decisions included within this report have been taken in consultation with the Chairman of Policy & Resources Committee.

6. BACKGROUND PAPERS

6.1 The Cabinet Resources Committee agreed at the 4 November 2013 meeting, under item Agenda 14 Contract Procurement Plan 2014/15 <http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=7460&Ver=4>

6.2 The Policy and Resources Committee agreed at the 17 February 2015 meeting the Sport & Physical Activity Project Revised Outline Business Case, under item agenda 9; <http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=7865&Ver=4>

7. DECISION TAKER'S STATEMENT

7.1 *I have the required powers to make the decision documented in this report. I am responsible for the report's content and am satisfied that all relevant advice has been sought in the preparation of this report and that it is compliant with the decision making framework of the organisation which includes Constitution, Scheme of Delegation, Budget and Policy Framework and Legal issues including Equalities obligations.*

8. OFFICER'S DECISION

I authorise the following action

- 1. To award the Leisure Management Contract to Greenwich Leisure Limited (GLL) for a period of 10 years, with an option to extend for 5 years taking effect from the 1st January 2018 up to 31st March 2028.**
- 2. To authorise Officers to enter into initial engagement arrangements with Greenwich Leisure Limited to progress the transition and mobilisation requirements (within the scope of the procurement requirements) following expiry of the standstill period and contract award.**
- 3. To approve the use of the existing leisure budget for annual management fee payments in contract year 1 and year 2 only.**
- 4. To approve the implementation of the core facility developments included within the Final Tender submission outlined by Greenwich Leisure Limited.**

Signed



Date

26th October 2017
