

## Central Bedfordshire Council

EXECUTIVE

3 April 2018

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### **Award of Leisure Management Contract**

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**This report relates to a decision that is Key**

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### **Purpose of this report**

1. To consider an award of contract for the operation and management of the new Dunstable Centre and The Grove Theatre, Dunstable, and Tiddenfoot Leisure Centre, Leighton Buzzard.

### **RECOMMENDATIONS**

**The Executive is asked to:**

1. **award a leisure management contract for the new Dunstable Centre and The Grove Theatre, Dunstable, and Tiddenfoot Leisure Centre, Leighton Buzzard to Bidder A.**

### **Overview and Scrutiny Comments/Recommendations**

2. The decision to procure a new leisure management contract was made by Executive in order to secure best value from the redevelopment at Dunstable Leisure Centre, and for services at The Grove Theatre and Tiddenfoot Leisure Centre. The Sustainable Communities Overview and Scrutiny Committee considered the options for the redevelopment of Dunstable Leisure Centre and recommended to Executive the inclusion of a budget in the Council's capital programme to undertake a comprehensive redevelopment of the leisure centre to create a new facility which will host a new leisure centre, a new library, day care for adults with learning disabilities and space for Citizen's Advice services to expand.

## Background

3. The leisure and cultural facilities in Dunstable and Leighton Buzzard are an important part of the Council's Universal Service offer across Central Bedfordshire and contribute to the approved Leisure Facilities Strategy, Libraries Strategy and locality working in Children's Services. In addition, specifically, the new Dunstable Centre also supports the transformation of adult social care services.
4. Executive considered the future of leisure management contract arrangements at Dunstable Leisure Centre, The Grove Theatre and Tiddenfoot Leisure Centre on 6 December 2016 and gave approval to terminate a long term contract for these facilities and to enter in to a procurement process to tender a new leisure management contract.
5. Dunstable Leisure Centre closed, as planned on 4 June 2017 and temporary contractual arrangements are in place for Tiddenfoot Leisure Centre and The Grove Theatre.
6. The new leisure management contract is for 7 years and 7 months with an opportunity to extend for a further 7 year period. The new operator will manage The Grove Theatre and Tiddenfoot Leisure Centre from 1 September 2018, and will support an enabling period leading up to the opening of the new Dunstable Centre anticipated in February 2019. The new operator has a number of responsibilities set out in the new contract leading up to the opening of the new facility.
7. The new leisure management contract specification is outcomes focussed and has a number of key performance indicators related to the Council's objectives, and to the conditions of a grant secured by the Council for £1m from Sport England's Strategic Facilities Fund.
8. The new contract specification has also reflected recommendations of a review of The Grove Theatre, undertaken in consultation with Arts Council England over the summer and autumn of 2017. As a result, new commercial and artistic targets have been set to focus the new operator on developing new audiences, increasing secondary spend, and in supporting a more strategic approach to the provision of a joined up arts and culture offer for children and young people.
9. The invitation to tender for a new leisure management contract was advertised to the market in November 2017. A bidder's event was held in December 2017 to aid the understanding of all bidders as to the Authority's overall ambition, expectations and objectives for the service. Four potential bidders attended the event and visited Tiddenfoot Leisure Centre and The Grove Theatre and viewed plans for the new Dunstable Centre.

10. Bidding closed on 19 February 2018 with three bids being received. Evaluation of the bids was undertaken by a panel representing leisure and library service, adult social care and assets. In addition an independent organisation, The Sports Consultancy supported the evaluation of the Costs of each bid. Accordingly, The Sports Consultancy has entered into a Non Disclosure Agreement with the Authority.

### **Evaluation Methodology**

11. The Council's standard award criteria evaluation model used is a points system that considers both quality and cost. This tender was weighted with 70% of the points being awarded for the financial submissions and 30% of the points being awarded for quality.
12. The marks available for the quality aspect of the bid was split into a range of individual elements and weighted according to their importance. The criteria for assessment of quality covered the following specific areas: Programme, Resources, Financial reporting, Cleaning, Quality Management Systems, Marketing and Customer Care, Asset Management, The Grove Theatre, The Dunstable Centre, Combined Heat and Power, Transition and Social Value. Evaluation was a measure of the extent to which the requirements of the service specification have been met.
13. Each member of the evaluation team assessed every submission individually and consequently, a collective score was awarded at a moderation session.
14. Bidders presented their financial offer in the form of a Leisure Operator Base Trading Account (LOBTA) for each facility for each year at 2018 prices. For evaluation purposes the Initial Contract Period. .i e. 01.Sept 2018 to 31<sup>st</sup> March 2026 was assessed. The offer for all facilities was considered in aggregate over this period to arrive at the most economically advantageous offer for the Council.
15. In addition, bidders were required to complete and submit a LOBTA for each year until March 2033 (also at 2018 prices) but the period from April 2026 was not evaluated.
16. The bidder with the highest income to the Council (that has met all Quality thresholds) gains full marks available for the financial element of the evaluation. All other tenders projecting lower incomes price tender score a proportion of the marks available on a pro-rata basis.
17. The winning contractor has been identified; the evaluation table can be seen at exempt Appendix A. It is proposed to enter into contract with Bidder A.

## **Reason for decision**

18. The award of tender to the highest scoring bidder will ensure the provision of leisure and cultural services at The Dunstable Centre, Tiddenfoot Leisure Centre and The Grove Theatre offer best value in commercial terms and outcomes for the community.

## **Council Priorities**

19. The award of leisure management contract supports the following Council priorities;
  - Enhancing Central Bedfordshire – creating jobs, managing growth, and enabling businesses to grow
  - Promoting health and wellbeing and protecting the vulnerable
  - Great resident services –leisure and libraries
  - Creating stronger communities
  - A more efficient and responsive Council.

## **Corporate Implications**

### **Legal and procurement Implications**

20. The Council has a temporary 12 month leisure management contract for its facilities at Tiddenfoot Leisure Centre and The Grove Theatre ending on 31st August 2018.
21. “LGSS Law” has been advising on the procurement process and the contract. Any procurement process and contract award must comply with the Council’s contract standing orders where applicable and be properly authorised in accordance with the Council’s Constitution. The Council’s Executive Arrangements and Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 confirm that key decisions must be taken by the Council’s Executive.
22. The Council is subject to the requirement to obtain best value in the procurement process because it is a best value authority for the purposes of the Local Government Act 1999. The act requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. To this end, the Council must be satisfied that its procurement process achieves best value in terms of price and quality.
23. The Council must also ensure that the procurement process complies with the EU Treaty principles of proportionality, equal treatment, transparency and mutual recognition. Compliance with procurement regulations and EU Treaty principles will ensure a robust process.

## Financial and Risk Implications

24. There are a number of risks related to the award of a leisure management and operation;
- a) Council priorities; the leisure centre, library and theatre in Dunstable and the leisure centre in Leighton Buzzard supports the Council's leisure and cultural infrastructure and helps deliver Great Universal Services and Promotes Health and Wellbeing. These facilities also contribute to transformation in Children's Services and Adult Social Care.
  - b) Reputational risks; Planned investment underway at Dunstable Leisure Centre will create a co located leisure and library facility which hosts day care and citizen's advice services and will need a leisure management operator to deliver the Council's objectives, key performance indicators and the outcomes required by Sport England as set out in the Background Paper. In addition, specifically, at the Dunstable Centre, the leisure operator is responsible for a range of time sensitive enabling works, including the procurement of a Combined Heat and Power unit which is necessary in order for the building to comply with building control regulations; a mandatory part of the leisure management contract.
  - c) Risk to customer satisfaction: Investment in the Council's leisure facilities improves customer satisfaction at those facilities where investment is undertaken. The Council's investment at Houghton Regis Leisure Centre, Flitwick Leisure Centre and Tiddenfoot Leisure Centre where there has been a significant increase in membership demonstrates this well. It is expected the investment at Dunstable Leisure Centre will deliver similar results over the contract period. The Leisure Management Operator will be responsible for a range of issues such as customer service, day to day planned building maintenance, reactive repairs, and planned and reactive cleaning, all of which are key to ensuring high levels of customer satisfaction. Specifically, for cleaning, the winning bidder scored less than the other bidders in their tender submission. As a result, they will be asked to confirm that they will deliver the required specification across the three facilities prior to award of contract. In the unlikely event of the winning bidder withdrawing, then the Council will award the tender to the bidder with the second highest score.
  - d) Financial Risks. A significant proportion of the Council's capital investment in its leisure stock has been to 'invest to save' using any improvement in income generated at a facility through its operation to help cover the cost of borrowing. The scope of works and level of investment is determined by assessing the supply and demand for leisure facilities within a specific catchment.

The commercial potential of a new facility is considered by undertaking an independent assessment of the leisure market, benchmarked with over 300 facilities. This is an important part of the Council funding strategy and helps pay for capital borrowing, along with asset disposal, Section 106 for indoor sport, and securing external funding. An independent assessment of its estimated commercial potential showed The Dunstable Centre to deliver an average management fee ( income to CBC) of £282k per annum over a 14 year period and soft market testing supported this view.

The estimated costs, ( and income) to the Council, relating to The Grove Theatre, Tiddenfoot Leisure Centre and the new Dunstable Centre are set out in the Medium Term Financial Plan. Estimates were based on the new Dunstable Centre opening in January 2019.

<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
£'000	£'000	£'000	£'000	£'000
150	74	(383)	(241)	(400)

The financial offer from the winning bidder will meet the requirements of the current budget and future efficiencies as set out in the Medium Term Financial Plan. In addition, conditions of the grant awarded by Sport England relate to a range of KPI's that are delivered by the leisure management operator. Awarding the contract to the winning bidder will ensure the Council is in a position to deliver those grant conditions.

### **Equalities Implications**

25. Public authorities have a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. The improvements to the leisure and library facilities aim to enhance customer experience and promote equality of opportunity by providing civic space to accommodate a range of co-located services within a building which is accessible, and extending opening hours so that customers have more choice about when and how they access the services.

### **Public Health**

27. Leisure and library facilities are key community health resources which provide safe civic space for people to take part in healthy and active lifestyles which support the Council's Health and Wellbeing Strategy.

Implementation of the Leisure Facilities Strategy and Libraries Strategy ensures there is a sustainable and high quality infrastructure for local communities to access services and engage in regular physical activity to help prevent ill health, generate long term improvements in overall levels of health and wellbeing and thereby reducing the costs to society, particularly for the NHS and social care.

### **Community Safety**

28. Under section 17 of the Crime and Disorder Act 1998 the Council has a statutory duty to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder within its areas. Leisure and library facilities and the activities that they offer provide positive opportunities, particularly to young people, who may otherwise engage in activities that may be criminal or anti-social.

### **Sustainability**

29. Extending and improving opportunities that increase the number of people accessing library service and participating in sport and physical activity through a network of good quality, accessible and readily available facilities reduces the need for customers to travel to other local authority areas to participate in these activities.
30. Maintaining Leisure Centres and libraries at a local level are significant contributors to the Council's carbon footprint (12%) and improving energy consumption/efficiency (which also has benefits in terms of lower running costs) through refurbishment and redevelopment is a key objective

### **Conclusion and next Steps**

31. The conclusion of this report is to recommend an award of tender for a leisure management contract to Bidder A. Awarding a leisure management contract to the winning bidder enables the Council to continue to develop its leisure, library and theatre offer in Dunstable and its leisure offer in Leighton Buzzard, supporting broader objectives across a range of Council priorities.

### **Appendices**

#### **Appendix A - EXEMPT**

**Background Papers** - Leisure Management Contract Outcomes and Key Performance Indicators.