

Overview and Scrutiny Board – 26 July 2016

Requisition of a Cabinet decision regarding the Award of the Sport and Leisure Management Contract

1 . Clarity needed on how the final agreed contract and price will be conveyed to members.

Officers will confidentially advise the Leaders of each group the final agreed contract and price.

2. Clarity needed on how the final contract agreed in relation to Chafford Sports Centre will be conveyed to members.

Officers will confidentially advise the Leaders of each group the final contract in relation to Chafford Sports Complex.

3. Clarity needed on how the potential conversion of the sports hall at Hornchurch Sports centre will be conveyed to members.

Cabinet agreed at their meeting on Tuesday 12 July 2016 that if there is a business case for retaining the existing Hornchurch Sports Centre Sports Hall, a further report would be presented to a future Cabinet meeting.

4. Clarity on capital spent on the various sports facilities in the last ten years by SLM and on what the monies were spent.

| HORNCHURCH SPORTCENTRE | | |
|---|---|-------------------|
| ITEM OF EXPENDITURE | YEAR COMPLETED 1 – 10 (Year 1 – 2006/07) | COST £ |
| Refurbished fitness suite | 1 | 859,169 |
| AHU | 2 | 132,000 |
| Kitchen Cooker Hood | 2 | 9,874 |
| Refurbished Squash Corridor | 2 | 27,877 |
| Squash Courts – plaster /sand floor | 3 | 6,105 |
| Installation of new Boilers | 3 | 43,868 |
| External Works – rendering, painting, cladding, new windows | 3 | 245,003 |
| Brickwork, removal of concrete beam, new sub-base | 3 | 27,940 |
| Roof Repairs | 3 | 8,698 |
| Emergency Lighting | 4 | 41,996 |
| Anti-graffiti Paint | 4 | 6,325 |
| External Bollards | 4 | 5,665 |
| DDA Reception Door | 4 | 6,545 |

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|---|----|------------------|
| Fire Doors | 4 | 9,680 |
| CCTV | 4 | 6,419 |
| New unisex changing village | 4 | 311,791 |
| Sportshall floor – sand and re-seal | 5 | 35,000 |
| BMS | 5 | 40,000 |
| Pool Hall lighting – energy saving | 6 | 40,000 |
| Floor coverings | 4 | 20,000 |
| Roof | 5 | 18,354 |
| Building Alarms | 4 | 6,237 |
| Booster Pumps | 5 | 9,229 |
| Boiler – small pool | 6 | 7,672 |
| AHU in sportshall | 6 | 13,750 |
| Sportshall lighting – energy saving | 6 | 24,625 |
| Pool Ceiling repair | 6 | 10,000 |
| Squash courts glass doors | 6 | 5,841 |
| Boilers | 7 | 7,896 |
| First Floor toilets, foyer toilets, sportshall doors | 7 | 92,345 |
| Handrails | 7 | 8,580 |
| Air conditioning units | 8 | 51,184 |
| Fitness suite ceiling | 8 | 7,238 |
| Pressurisation Unit | 8 | 5,649 |
| Studio Floor | 8 | 17,591 |
| Pumps | 9 | 17,271 |
| Pool Roof | 9 | 147,480 |
| New wiring/Distribution Boards | 9 | 62,500 |
| Pool Pumps | 9 | 20,286 |
| Chemical Dosing System | 10 | 9,955 |
| | | 2,427,638 |

| CENTRAL PARK LEISURE CENTRE | | |
|---|-----------------------|-------------------|
| ITEM OF EXPENDITURE | YEAR COMPLETED | COST £ |
| Replacement Fitness suite floor | 2 | 37,895 |
| New Reception Barrier | 3 | 9,504 |
| New Showers – dry side | 4 | 7,535 |
| Sportshall floor | 4 | 14,716 |
| Laterals and replace pool filter media. Also 'under drain' sets. | 5 | 21,560 |
| Powder coating to rails | 6 | 7,776 |
| AHU – fitness suite | 6 | 11,642 |
| Pump and BMS switching | 7 | 5,855 |
| Steam Room/Heath Suite | 7 | 11,314 |
| Showers – wet side | 7 | 15,741 |
| Gas Isolation valve | 7 | 5,727 |
| Shower re-tiling + new cubicles | 8 | 16,280 |

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|---|----|----------------|
| Installation of a Bulk Hypo tank | 8 | 5,916 |
| Air Conditioning | 8 | 18,026 |
| CCTV | 9 | 16,649 |
| Fire Alarm System | 9 | 23,980 |
| Variable Speed Drives | 9 | 13,629 |
| Re-surface of the MUGA | 9 | 11,000 |
| Energy Efficient Lighting – pool and s/hall | 9 | 46,541 |
| Installation of new fire doors | 9 | 19,524 |
| Replacement Pool Pumps | 9 | 21,538 |
| Car Park re-lining | 10 | 3,500 |
| | | 345,848 |

| CHAFFORD SPORTS COMPLEX | | |
|--|-----------------------|-------------------|
| ITEM OF EXPENDITURE | YEAR COMPLETED | COST £ |
| External wall repairs | 1 | 6,738 |
| Replacement pool pipe work into the balance tank | 1 | 4,710 |
| New hot water system, replacement of showers in the changing rooms | 1 | 32,648 |
| Replacement of AHU | 1 | 47,500 |
| New boilers in plant room | 2 | 20,620 |
| Replacement Heat Exchanger | 3 | 7,453 |
| New Fire Alarm | 3 | 5,549 |
| Pool Fire door, new pathway, new windows | 4 | 19,966 |
| New Health Suite Floor | 4 | 6,298 |
| New Swimming Pool Filter Media | 4 | 32,937 |
| New showers in the wet changing area | 5 | 15,384 |
| New Building Intruder Alarm | 5 | 5,638 |
| New AHU | 5 | 6,776 |
| Emergency Lighting | 5 | 8,525 |
| Installation of pool surround grating | 5 | 5,622 |
| New fire doors in the sportshall | 7 | 8,564 |
| CCTV | 7 | 9,928 |
| Changing Room bench seating | 7 | 5,176 |
| External security lighting | 7 | 5,200 |
| Sand and re-seal of Sportshall floor | 8 | 11,074 |
| New pipework and booster pump | 9 | 23,278 |
| Repairs to Sportshall Roof | 9 | 6,163 |
| Cladding, new down pipes, brickwork | 9 | 15,972 |
| New Boiler | 9 | 5,678 |
| Installation of Pool ventilation | 9 | 5,050 |
| Changing Room Ventilation | 10 | 3,734 |

| | | |
|--|--|---------|
| | | 326,181 |
|--|--|---------|

5. Confirmation that all capital works to be carried out by SLM over the past ten years were carried out.

Yes, all the capital works to be carried out by SLM over the past ten years were carried out.

Under the existing leisure management contract SLM are asked to submit a Business Case to the Council for each capital project they wish to undertake. Each Business Case is assessed on its merits and approved or otherwise by the Council. All of the above capital works agreed between the Council and SLM over the 10 years of the contract have been completed, and have been funded from the £3.1m 'Lifecycle' capital allocation approved prior to the start of the leisure contract. In addition to these capital works SLM have funded further improvements within the centres e.g. creation of additional office space, changing room lighting at Hornchurch SC, new pool ceiling at Chafford SC. SLM have annual service and maintenance contracts in place across all three of the sites which feed into their annual Planned Preventative Maintenance programme (PPM). The Council reviews SLM's service contracts periodically.

6. Clarification needed on the consequences should the contractor not meet their income and expenditure target.

Tenderer A is contractually bound by their Best and Final Offer (BAFO) and the risk on income and expenditure relating to their operation lies with them.

If income targets are not being met we would want to talk with the Contractor about their marketing, investments and potentially pricing. We would also want to discuss possible efficiencies.

7. Clarification needed on the contractor's proposed pricing plan.

Under the existing leisure management contract SLM are required to submit their proposed prices for the following year in November of the previous year. SLM submitted the 2016/17 prices in November 2015. It will be a contract requirement that these prices will not be reviewed by Tenderer A until April 1st 2017.

Within the Contract, the Council has identified a number of 'controlled prices' whereby the contractor cannot exceed the prices the Council has set. Examples include:

- Adult and junior aquatics lessons
- Junior swimming
- Swimming Pool hire by Havering's swimming clubs
- Ice Skating/Hockey lessons

Other than these 'controlled prices' the contractor is not required to seek the Council's agreement in advance to any increase or reduction in prices.

Over the last 10 years SLM have always been aware of the local competition when setting their prices in order to remain competitive. They have demonstrated this approach with swimming lessons and gym memberships in particular. Setting a price

too high would be detrimental to their business as members would leave and join a Fitness First or other private fitness club. A number of local private pools e.g. Abbs Cross School offer a 'learn to swim' programme which SLM need to be aware of. Many of SLM's prices have shown very little increase at all over the last 10 years.

8. Confirmation needed of what was included in the successful contractors business plan.

TENDERER A's Business Plan covers the following:

Section 1. The Viability of Income Projections

- 1.1 Total Income Comparisons by Facility
- 1.2 Local Competition and an Understanding of the Market Size, Growth and Share
- 1.3 Marketing Proposals
- 1.4 Pricing Proposals
- 1.5 Programming Proposals for Swimming, Fitness and Other Activities
- 1.6 Investment Proposals that Involve a Change/Improvement of Activity Area
- 1.7 Industry and Operator's Own Comparable Facility Income Benchmarking

Section 2. The Viability of Expenditure Projections

- 2.1 Staff Costs
- 2.2 Maintenance Costs
- 2.3 Delivery of the Councils Required Investment Programme at Hornchurch
- 2.4 Energy Costs
- 2.5 Budgeting for Energy costs
- 2.6 Energy Procurement
- 2.7 Taking Responsibility for Environmental Management
- 2.8 Site Surveys and Management Plans
- 2.9 Delivering Successful Energy Conservation
- 2.10 Managing Energy Cost at 'New' Sites
- 2.11 Recycling and Waste Minimisation
- 2.12 Green Transport Plans
- 2.13 Reporting Arrangements for Energy Consumption
- 2.14 Central Support Costs
- 2.15 Equipment Costs
- 2.16 NNDR
- 2.17 Marketing Costs
- 2.18 Quality Assurance
- 2.19 TUPE

Section 3. Viability of Investment Proposals

- 3.1 Core Bid - Hornchurch Refurbishment Proposals
- 3.2 Investment Proposals
- 3.3 Revenue Benefits Linked to Capital Investment
- 3.4 Timetable for Delivering Investments is Realistic
- 3.5 Capital Proposals (Supporting Documents)
- 3.6 Planning Implications

Supporting information on:

- Demographic reports
- Marketing
- Pricing
- staff structures
- case studies

9. Confirmation needed of the contractors quality evaluation results.

| Evaluation Scoring coversheet - TENDERER A | | | |
|---|---------------------|---|-------------------------|
| | Weighting | Minimum % score | TENDERER A Score |
| 1. Business Plan Viability (Qualification Evaluation) | Pass or Fail | If the Business Plan scores a 'fail' the bid will be rejected. | Pass |
| 2. Price (Commercial Evaluation) | 50% | | 50% |
| 3. Quality (Technical Evaluation) | 50% | 25% | 28.5% |
| 3.1. Contract Risk | 10% | 5% | 8% |
| 3.2 Method Statement - Sports Development (including how the Ice Development Plan and Swimming Development Plan will be delivered) | 15% | 7.5% | 10.0% |
| 3.3 Method Statement - Community Health and Wellbeing | 10% | 5% | 5.4% |
| 3.4 Method Statement - Health and Safety | 5% | 2.5% | 2.5% |
| 3.5 Method Statement - Safeguarding | 5% | 2.5% | 4% |
| 3.6 Mystery visits | 5% | 2.5% | 3.6% |
| Total (Price, Quality) | 100% | | 88.5% |

Evaluation Scoring – Sports Development Method Statement (15%)

TENDERER A

| | Weighting | Bidder Score (Maximum score is 5) | Score x weightings |
|--|------------|-----------------------------------|--------------------|
| How the tenderer will respond to and deliver the objectives in the Ice Development Plan and Swimming Development Plan | 5% | 4 | 20 (25) |
| How the tenderer would support wider development of sport and physical activities, including specific sports, in Havering and a plan for Sports Development in the borough | 5% | 3 | 15 (25) |
| How the tenderer will engage with governing bodies and clubs and plans for achieving good working relationships with stakeholders, partners and clubs. | 3% | 3 | 9 (15) |
| Where and when Sports Development projects/activities will be held. | 2% | 3 | 6 (10) |
| Total | 15% | 15/25 | 50/75 |
| Bidder Score | | | 10.0% |

Evaluation Scoring – Community Health and Wellbeing (10%)

TENDERER A

| | Weighting | Bidder Score (Maximum score is 5) | Score x weightings |
|---|------------|-----------------------------------|--------------------|
| How the tenderer will ensure that all sections of the community participate (or have the opportunity to participate) in Havering and how the tenderer will ensure that the user profile broadly matches the demographic profile of the catchment area in which the centres are based and how the tenderer will use community participation and demographic data. How the tenderer will respond to demographic change over the lifetime of the contract. | 3 | 2 | 6 (15) |
| How the tenderer would increase attendances and the number of users of Leisure Centres in Havering | 2 | 3 | 6 (10) |
| How the tenderer will promote healthy living in Havering and specifically target health outcomes specific to Havering. | 3 | 3 | 9 (15) |
| What marketing materials will be used and what the communication strategy will be. Marketing materials reflective of local demographics (e.g. ethnic mix, disability) | 2 | 3 | 6 (10) |
| Total | 15% | 15/25 | 27/50 (54%) |
| Bidder Score | | | 5.4% |

Evaluation Scoring – Safeguarding Method Statement (5%)

TENDERER A

| | Weighting | Bidder Score (Maximum score is 5) | Score x weightings |
|--|------------------|--|---------------------------|
| In response to the scenario: 1.Your immediate key actions 2.Your key actions overall | 5% | 4 | 20 (25) |
| Total | 5% | 4/5 | 20/25 (80%) |
| Bidder Score | | | 4% |

Evaluation Scoring – Health and Safety Method Statement (5%)

TENDERER A

| | Weighting | Bidder Score (Maximum score is 5) | Score x weightings |
|--|------------------|--|---------------------------|
| In response to the scenario: 1.Your immediate key actions 2.Your key actions overall | 5% | 2.5 | 12.5 (25) |
| Total | 5% | 2.5/5 | 12.5/25 (50%) |
| Bidder Score | | | 2.5% |

Evaluation Scoring –Contract Risk (5%)

TENDERER A

| | Weighting | Bidder Score (Maximum score is 5) | Score x weightings |
|--|------------------|--|---------------------------|
| Changes to the contract. Any changes that result in risk being transferred to the Council (<i>e.g. law, liability</i>) | 5% | 3 | 15 (25) |
| Other contract risks. Bidders are asked to highlight the key risks they envisage. For example, delivery of the Investment Programme and the degree to which proposals are likely to receive planning permission. | 5% | 5 | 25 (25) |
| Total | 10% | 8/10 | 40/50 (80%) |
| Bidder Score | | | 80% |

Mystery Visits (5%)

The following Leisure Centres were visited and given the below scores:

| Centre | TENDERER A |
|---------------------------------------|-----------------------|
| | |
| TENDERER A | |
| Ongar Leisure Centre (MC) | 28 |
| Basildon Sporting Village (MC) | 38 |
| Westminster Lodge Leisure Centre (RL) | 44 |
| Harrow Leisure Centre (RL) | 43 |
| | |
| TOTAL | 153 |
| | |
| | |
| Scoring Method | |
| Evaluation Score | 3.6% |

Scoring Method

All bidders were awarded a score as a percentage of their score against the maximum score they could have achieved e.g. the maximum marks available were 210, a bidder who scored 105 marks = 50% score against the maximum available = 2.5% evaluation score.

10. Confirmation needed of the full year by year cost of the proposed council borrowing and loan pay back.

The 'year by year' cost of the proposed Council borrowing and loan pay back for Tenderer A over the life of the contract are shown below:

| Core Bid – 10 Years | | |
|---|-----------------------|-----------------------------|
| Year | Capital Loan £ | Loan Pay Back Cost £ |
| 2017/18 | 2.586m | 235k |
| 2018/19 | 4.196m | 778k |
| 2019/20 | 0 | 778k |
| 2020/21 | 385k | 807k |
| 2021/22 | 151k | 819k |
| 2022/23 | 366k | 843k |
| 2023/24 | 50k | 506k |
| 2024/25 | 116k | 532k |
| 2025/26 | 0 | 532k |
| 2026/27 | 190k | 545k |
| | | |
| Mandatory Variant Bid – 20 Years | | |
| Year | Capital Loan £ | Loan Pay Back Cost £ |
| 2017/18 | 7.1m | 460k |
| 2018/19 | 12m | 1.314m |
| 2019/20 | 6m | 1.751m |
| 2020/21 | 161k | 1.763m |
| 2021/22 | 151k | 1.775m |
| 2022/23 | 169k | 1.755m |
| 2023/24 | 50k | 1.491m |
| 2024/25 | 116k | 1.373m |
| 2025/26 | 0 | 1.373m |
| 2026/27 | 329k | 1.418m |
| 2027/28 | 4k | 1.381m |
| 2028/29 | 0 | 1.381m |
| 2029/30 | 150k | 1.366m |
| 2030/31 | 259k | 1.408m |
| 2031/32 | 0 | 1.377m |
| 2032/33 | 836k | 1.470m |
| 2033/34 | 225k | 1.528m |
| 2034/35 | 400k | 1.558m |
| 2035/36 | 0 | 1.525m |
| 2036/37 | 0 | 1.525m |
| | | |

11. Clarification needed on the financial analysis on both exempt reports.

The financial analysis charts show the total amount of income receivable from the Tender who each outlined in the Tender templates they completed how much income they would pay the Council for being awarded the Leisure management contract over either 10years or 20years. These payments are then divided over the number of years of the contract to calculate an average annual payment. The average annual cost of the Council capital investment interest and depreciation /MRP are then subtracted from the annual average payments receivable from each Tender. Other deductions are also shown in the financial analysis as well as adding back the existing council budget of £494,230 less the MTFs savings of £400,000 required. Column L shows the additional income receivable by the Council after all deductions for each submitted Tender.

12. Confirmation needed on how the council's quality and performance will be regularly reported to members.

Officers will meet with the Contractor quarterly to discuss performance. The Lead Member traditionally attends these quarterly meetings also.

Officers also produce an annual report on the contract, including performance, that will be made available to Members once the report has been signed off by the Lead Member.

13. Confirmation needed of the contractor's most recent NBS and Quest report.

An overview of the existing contractor's NBS and Quest reports are shown below:

Central Park Leisure Centre
NBS

The most recent National Benchmarking Service (NBS) Survey was carried out over 9 days in October 2015 i.e. Saturday 3rd Oct to Sunday 11th October.

The report used survey data from 328 visitors to the centre, financial/management data provided by the centre's management, and estimated catchment population data from the National Census. It identified performance across four sets of indicators: access (usage by specific market segments); efficiency; utilisation; and customer satisfaction with services at the centre.

1. The main strengths and weaknesses at this centre are shown below.

Strengths - NS-SEC 6&7; discount card holders; unemployed; finance; staff; value for money of activities; car park attribute; availability of activities

Weaknesses - Ethnic minorities; cleanliness; ease of booking; food and drink

2. Access performance is mixed but fairly strong. Two groups which might be seen as important to social inclusion perform in their top quartiles (NS-SEC 6&7 and the unemployed). However, one which is deemed relevant to social inclusion is in the bottom quartile (ethnic minorities).

3. Efficiency performance is very strong relative to the benchmarks, with nine of

the 14 indicators performing at, or above, their 75% benchmark levels; and a remarkable cost recovery score of 130%.

4. The main utilisation indicator, for market penetration, performs in the third quartile - this is above average performance relative to industry norms.

5. The overall customer satisfaction scores for visit (4.73) and overall swimming experience (4.49) are well above the relevant industry averages (4.38 and 4.17 respectively).

Satisfaction and importance scores reported by customers show the following relative strengths and weaknesses.

Primary strengths

- Standard of coaching/instruction
- Value for money of activities
- Availability of car parking on site

Primary weaknesses

- Cleanliness of changing areas
- Cleanliness of activity spaces

Secondary strengths

- Helpfulness of other staff
- Activity available at convenient times

Secondary weaknesses

- Ease of booking
- Value for money of food/drink

Quest Plus Assessment carried out in April 2016: RESULT - GOOD

Strengths:

- Management have made excellent use of spread sheets and the business planning process to set a series of measures across all areas of service delivery.
- There is a commitment to an on-going programme of training for the team to help ensure the standards set out in TEAMS were being communicated.
- The planned and reactive maintenance systems were well planned, implemented, monitored and reviewed.
- External assessment was used as a tool to validate the processes in areas such as environmental and health and safety management.
- Excellent financial, sales and usage results had been experienced in the previous financial year, with facilities such as the gym and learn to swim programme almost at saturation point.

- Involving appropriate personnel in the budget planning process helped to ensure ownership, including across targets that had subsequently been stretched.

Areas for Improvement

- The Everyone Active website may prove a useful tool to promote some of the excellent community initiatives taking place. Appropriate imagery may also wish to be considered.
- Understanding why potential customers do not currently visit the Centre may help to develop appropriate intervention measures.
- It was encouraging that cleaning had been recognised as a focus and strategies implemented, although survey and MV results would suggest some area for improvement.
- It might be of value to extend the programme of mystery visiting to include a measure of operational performance, including an assessment of cleaning standards.
- Personnel files may benefit from a review to ensure management are confident they contain all the appropriate information, including training and induction detail.

Hornchurch Sportcentre

NBS

The most recent National Benchmarking Service (NBS) Survey was carried out over 9 days in October 2015 i.e. Saturday 3rd Oct to Sunday 11th October.

The report used survey data from 357 visitors to the centre, financial/management data provided by the centre's management, and estimated catchment population data from the National Census. It identifies performance across four sets of indicators: access (usage by specific market segments); efficiency; utilisation; and customer satisfaction with services at the centre.

1. The main strengths, weaknesses and factors to watch out for at this centre are shown below.

Strengths Discount card holders; central establishment charges indicator; casual use; staff; activity range; value for money of activities

Ones to watch Food and drink; car park attribute; cleanliness of changing areas; equipment quality

Weaknesses Access; energy efficiency rating; cleanliness of activity spaces

2. Access performance is mixed but rather weak. Three groups which might be seen as important to social inclusion perform below their 25% benchmarks (ethnic minorities, the unemployed, and disadvantaged card holders). None of the groups deemed important for social inclusion purposes achieve scores at or above their 75% benchmark levels.

3. Efficiency performance is above average relative to the benchmarks, with ten of the 14 indicators performing in or above their third quartiles; and a cost recovery score of 109% - which is third quartile performance.

4. The main utilisation indicator, for market penetration, performs in the third quartile - this is above average performance.

5. The overall customer satisfaction scores for visit (4.68) and overall swimming experience (4.67) are well above the relevant industry averages (4.38 and 4.17 respectively).

Satisfaction and importance scores reported by customers show the following relative strengths and weaknesses.

Primary strengths

- Standard of coaching/instruction
- Value for money of activities

Primary weaknesses

- Cleanliness of changing areas
- Cleanliness of activity spaces
- Quality of equipment

Secondary strengths

- Helpfulness of other staff
- The range of activities available
- Helpfulness of reception staff

Secondary weaknesses

- Value for money of food/drink
- Availability of car parking on site

Quest Plus Assessment carried out in October 2013 **RESULT - GOOD**

Quest Directional Review Assessment carried out in Sept 2014

(Hornchurch SC due to be assessed again in Aug/Sept 2016)

Strengths:

- Busy centre (with over 600,000 visits in 13/14 recorded) with an extensive programme of activities underpinned by a strong brand and pleasant location.
- The facility has above industry average levels of customer satisfaction
- Swim school and fitness membership base levels have increased year on year reflecting real strengths in these areas.
- Good use is being made of existing space to maximise throughput.

- Introduction of Swim School Direct Debit is making a real difference.
- Improved planning focus around the 8 key business objectives with greater involvement and engagement of centre staff in the process.
- Strong experienced staff teams in place - with positive endorsement reflected in NBS scores

Areas for Improvement:

- Cleanliness performance appears to be a problem area which may require a fundamental and /or radical review of existing practice given the pressure on changing facilities from high levels of throughput.
- Telephone systems remain a weakness although this is about to be addressed through the development of a call centre (coupled with additional staffing hours).
- Front of house appears to still be under pressure and improvements to technology, support systems and payment systems may be needed.
- Management should look to improve staff communication throughout the site.
- Fix more precise measures and targets going forward across finance, quality, customer satisfaction and staff engagement to help drive and communicate improvement.
- Presentational standards are of mixed quality throughout the site while re-decoration of tired looking areas is an area to consider.