

CABINET MEETING – 11 FEBRUARY 2015

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Appointment of a Joint Venture partner to operate the Council's leisure facilities across the City.

Author(s):

Report of the Executive Director of People Services

Purpose of Report:

The purpose of the report is to set out the progress made in respect of the procurement process for the appointment of a partner for the management and operation of the Council's leisure facilities, and for all next steps in order to progress to the establishment of the Joint Venture (JV).

Description of Decision:

Cabinet is recommended to note the contents of this report and the substantial progress made to date in respect of the procurement process leading to a recommendation for the appointment of a preferred bidder in the separate Part II report on today's agenda and the next steps in order to establish the JV.

Is the decision consistent with the Budget/Policy Framework? **Yes**

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The procurement process for the JV partner, the appointment of a preferred bidder and the subsequent establishment of the JV will enable the Council to retain an on-going interest in the facilities, through its involvement with the JV company facilitate continued investment in the leisure facilities, significantly increase the levels of participation in physical activity thereby contributing to the wellbeing of the City and deliver financial savings to the Council.

Alternative options considered and recommended to be rejected:

The Council could decide not to continue the procurement process and not to appoint a preferred bidder. However the abandonment of the procurement process would not deliver the benefits for Sunderland and the Council as detailed in the report.

Impacts analysed;

Equality Yes Privacy Yes Sustainability Yes Crime and Disorder N/A

**Is this a “Key Decision” as defined
in the Constitution?**

Yes

Scrutiny Committee

Is it included in 28 Day Notice?

Yes

APPOINTMENT OF A JOINT VENTURE PARTNER TO OPERATE THE COUNCIL'S LEISURE FACILITIES - PREFERRED BIDDER STAGE AND PROJECT UPDATE**REPORT OF THE EXECUTIVE DIRECTOR OF PEOPLE SERVICES****1. Purpose of the Report**

- 1.1 The purpose of the report is to inform Cabinet of the progress made in the procurement process for the appointment of a partner for the management and operation of the Council's leisure facilities, and for all next steps in order to progress to the establishment of the Joint Venture (JV).

2. Description of Decision (Recommendations)

- 2.1 Cabinet is recommended to note the contents of this report and the substantial progress made to date in respect of the procurement process leading to a recommendation for the appointment of a preferred bidder in the separate Part II report on today's agenda and the next steps in order to establish the JV.

3. Background

- 3.1 Cabinet at its meeting of 9th October 2013 considered and approved the proposed approach to building participation in physical activity sport and leisure; and arrangements associated with the future management and operation of the City's leisure facilities
- 3.2 Since 2004 the Council together with its partners have invested over £60m of capital resource in new and replacement sport and leisure facilities to contribute to meeting the objectives of improving health outcomes by encouraging and supporting increased participation in sport and physical activity. A further £11.3m is being invested to replace Washington Leisure Centre, scheduled to open on 1st June 2015, which will complete the renewal of the City's leisure facilities. This level of investment is unprecedented within the region and has resulted in a comprehensive range of community based facilities, providing affordable access for residents and an attractive, modern portfolio of leisure stock.

4. A New Approach to Service Delivery linking new operational arrangements to our Strategic Approach to increasing Participation in Physical Activity, Leisure and Sport

- 4.1 The City approach to an Active Sunderland has been developed and set within the aims of existing city-wide strategies and within the wider policy context detailed to Cabinet in November 2014.

- 4.2 The following Leisure Complexes are within the scope of the Leisure JV:
- Sunderland Aquatic Centre;
 - Silksworth Sports Complex;
 - Silksworth Tennis Centre, Community Pool and Wellness Centre;
 - Washington Leisure Centre;
 - Houghton Sports Complex;
 - Seaburn Leisure Centre;
 - Bunny Hill Wellness Centre.
 - Hetton Community Pool and Wellness Centre; and
 - Raich Carter Sports Centre.

5 Current Position

- 5.1 The Council's key objectives in selecting a JV Partner to help drive the transformation of its leisure and sports business are:

- to contribute to the better physical and mental health and wellbeing, skill development and levels of attainment of Sunderland's citizens through increased participation in physical activity, sport and leisure;
- to develop a sport and leisure service that is self-sustaining (that requires no subsidy beyond the short term);
- to provide universal access to high quality sport and leisure facilities;
- to support sporting excellence; and
- to identify and develop additional commercial opportunities which contribute to the achievement of any of the above objectives.

- 5.2 Following Cabinet's approval in October 2013, the Council has undertaken an OJEU procurement process for the appointment of a partner for the management and operation of the City's leisure facilities using the competitive dialogue procedure. The procurement process commenced in November 2013, and following a shortlisting exercise through a number of stages three bidders (Greenwich Leisure Limited (GLL), Serco Leisure Operating Limited (Serco) and Sports and Leisure Management Limited (SLM)) submitted solutions at the Invitation to Continue Dialogue Stage.

- 5.3 The bidders were required to produce a detailed Corporate Business Plan which underpins the delivery of these Key Objectives and included:
- Targeted marketing to attract new members or to increase usage by non-concessionary users to increase participation and improve revenues;
 - Restructured pricing packages and the introduction of different / amended tariffs;
 - Proposals for changing or improving the physical layout of facilities in order to increase participation and improve revenues;
 - Development proposals which would result in the delivery of enhanced and / or new facilities;
 - Asset management plans;

- Financial proposals taking into account the bidders' proposals for delivery, developments and potential tax advantages of their proposed operating model; and
- Legal and commercial proposals.

These were evaluated and GLL were deselected.

5.4 The remaining two bidders, Serco and SLM, were taken forward to the final dialogue stage and submitted their final tenders on 12th December 2014. Prior to completing the evaluation, a period of clarification in relation to the tender submissions was undertaken and following receipt of those clarification responses the bids received have been evaluated by the Council's Project Team comprising representatives from Community Services, Finance, Law and Governance, Corporate Procurement, Human Resources and Property Services in conjunction with the Council's external advisers (Bond Dickinson (legal), Knight Kavanagh and Page (technical) and KPMG (finance)).

5.5 The final tenders were evaluated applying the following main criteria in order to determine which bidder met the Council's key objectives:

- Delivery Proposals 27.5%
- Financial Proposals 60%
- Resourcing 2.5%
- Legal 10%

In addition to the above criteria pass / fail thresholds were set in the following areas:

- Social and economic benefits offered;
- Financial model integrity;
- Approach to the management of the JV; and
- Approach to TUPE/Pensions/Trade Unions.

6. Next Steps

6.1 In the event Cabinet approves the recommendation for the appointment of a preferred bidder for the JV as set out in the Part II report, the Bidders will be notified in writing of the Council's decision, and subject to the operation of the mandatory standstill period the Council would seek to finalise the project agreements with the preferred bidder and proceed to completion and establishment of the JV.

6.2 The next key stages are as follows:

- Successful bidder notified – 11th February 2015
- Alcatel period ends – 23rd February 2015
- Preferred bidder documentation sent out – 24th February 2015
- Mobilisation period begins – 24th February 2015
- New Leisure JV Operation commences 1st June 2015

7. Financial Implications

- 7.1 The detailed financial implications are considered within Part II of the agenda. In overall terms the proposition delivers an improved financial position for the Council, and leverages additional investment to develop facilities to increase the participation in sport and leisure. The financial implications are included within the medium term financial plan

The detailed financial implications are considered within Part II of the agenda. In overall terms the proposition delivers an improved financial position for the Council, and leverages additional investment to develop facilities to increase the participation in sport and leisure.

8. Legal Implications

- 8.1 The legal implications arising from the evaluation of the bids, the appointment of a preferred bidder and the establishment of the Leisure JV are considered in the Part II report.

9. Reasons for the Decision

- 9.1 The procurement process for the JV partner, the appointment of a preferred bidder and the subsequent establishment of the JV will enable the Council to retain an on-going interest in the facilities, through its involvement with the JV company facilitate continued investment in the leisure facilities, significantly increase the levels of participation in physical activity thereby contributing to the wellbeing of the City and deliver financial savings to the Council.

10. Alternative Options

- 10.1 The Council could decide not to continue the procurement process and not to appoint a preferred bidder. However the abandonment of the procurement process would not deliver the benefits for Sunderland and the Council as detailed in the report..

11. Impact Analysis

- 11.1 The Impact analysis in respect of the appointment of the recommended Preferred Bidder is considered in the Part II report.

12. Other Relevant Considerations / Consultations

- 12.1 Risk Implications

The risk analysis in respect of the establishment of the JV is considered in the Part II report.

Trade Union Consultation

- 12.2 The Trade Unions have been consulted on the proposed operational changes, and once approval for the appointment of a JV partner is reached, further meetings between the partner and Trade Unions will be scheduled.

13. List of Appendices Items

None

14. Background Papers

None

