

LEISURE COMPLEX AND BUS STATION PROGRAMME BOARD

Tuesday 30 October 2018

Present:-

Councillor Bialyk (Chair)
Councillors Edwards, Pearson, Prowse, Sutton and Wardle

Apologies:-

Councillor Mrs Henson

Also Present:-

Chief Executive & Growth Director, Director (JY), City Surveyor, Communications and Marketing Lead and Democratic Services Officer (SLS)

Justin Pickford - Baker Ruff, Hannon

In attendance:-

Councillor Mrs Thompson – Member Speaking Under Standing Order 44

9

MINUTES

The Minutes of the meeting held on 5 March 2018 were approved, taken as read, and signed by the Chair as correct.

10

DECLARATIONS OF INTEREST

No declarations of pecuniary interest were made.

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ST SIDWELL'S POINT LEISURE CENTRE OPERATOR FORECAST BUSINESS PLAN AND PROCUREMENT

Councillor Mrs Thompson attended the meeting and spoke under Standing Order 44 on this matter.

The Director (JY) presented a report which sought final approval for the Business Plan for the operation of the new leisure complex, St Sidwell's Point and to seek approval for the proposed procurement route for securing a new operator.

Councillor Mrs Thompson referred to the recommendation in the report and sought an explanation of the pre-tender activity and date which was anticipated to be April 2019. The Chair, thanked Councillor Mrs Thompson for raising this matter and explained that the recommendation would be amended to provide more clarity. He advised that the phrase "pre-tender activity" would be removed altogether, as it was the procurement process itself that would commence in April 2019. The pre-tender activity would need to commence immediately, as this included work such as market engagement and consultation, preparation of tender documentation such as the Official Journal of the European Tender (OJEU) notice, an evaluation criteria, specification, and contract documentation. He added that the procurement process would need to commence in April 2019, in order, that the preferred bidder could be

secured by May 2020, to allow time for a formal contract award, building handover, mobilisation and fit out for the contract to commence in December 2020.

The Director responded to a request by Councillor Mrs Thompson for further information on the link to the procurement of all of the Council's built leisure facilities and confirmed that further details of this would be included in the presentation.

The Director provided a high level summary of the Business Plan for St Sidwell's Point and the procurement process. The circulated report provided Members with the detail of the pre-tender activity. The report included a recommendation which sought Executive approval for the way forward with a procurement time line of April 2019 to ensure that a new operator for the City Council's leisure estate could be identified by 2020. It was also important to acknowledge the relationship between procurement of the operation of St Sidwell's Point, and the wider leisure built facilities which included the Riverside Swimming Pool and Leisure Centre, Exeter Arena and Isca Centre, Wonford Sport Centre and Northbrook Pool and Golf Course.

The Business Plan is based on the facility mix previously agreed by Members and specification and wider design included:-

- Main Pool (25m)
- Learner Pool
- Multi-purpose Room/Crèche
- Gym (140 stations)
- 2 x Group Exercise Studios
- Spa – Sauna/Saunarium, salt vaporium, relaxation room, manicure/pedicure station and 4 x treatment rooms
- Small soft play area
- Café

The Director set out the priorities identified by Members which included how the Centre should operate, the membership options, desired opening times, staffing model, health and safety standards and parking arrangements all of which would be negotiated with any potential operator. The key assumptions were presented, based on 2018/19 prices along with the inclusion of a competitive procurement process. The Director explained that the forecast Business Plan had now taken account of a number of assumptions not available when the original plan was identified, including the aspiration for free swimming of younger children of Exeter residents, and increases in the national living wage. Ultimately the Business Plan will also be further influenced by market trends by the time a final agreement is reached with the operator. Members should be assured that the Plan now offered a greater rigour in relation to industry standards and benchmarks. St Sidwell's Point is now expected to attract a more conservative, but significant final financial position, and the 25 year surplus revenue makes allowance for the lifecycle costs (repair and replacements) of the facility. It would generate income for the Council in excess of the borrowing requirement for the approved funding.

Justin Pickford was able to offer an explanation to a Member who sought further information relating to the cost figures for the build. He explained that the figure was an interpretation of the costs for lifecycle costing purposes. The Chair also provided an explanation in relating to the car parking funding arrangements for users of St Sidwell's Point. The Director agreed to recirculate a copy of the spread sheet Figure 4 – Age Structure of Exeter, as not all of the figures were visible in the report.

The presentation included an overview of the proposed procurement process, which included a mapping of the range of operators across the locality. *(A copy of the presentation is attached to the minutes)*. The Director stated that there was an interesting and competitive market place and the Council needs to be clear on the scope of the offer to ensure the appointment of a reputable and quality operator, capable of running the first Passivehaus leisure centre in the country as well as developing existing sites across the Council's city wide leisure estate into sustainable modern facilities.

The Business Plan contains a risk analysis, development framework and expected key outcomes and key performance indicators which will enable any prospective operators to indicate how they would deliver and also engage in the Sports England Delivery Pilot process. It was important to find an operator who would have a clear and robust plan and manage and deliver the following services across the whole portfolio:-

- Sports and physical activity development
- Health and wellbeing
- Community outreach and in reach
- Ground and building maintenance

The procurement options were outlined along with the two staged overall methodology including market engagement, to formulate a procurement strategy, the pre-tender activity, procurement activity and the contract award.

For clarity, the key milestones for the procurement approach (Competitive Dialogue Procedure) for the operator were set out:-

- OJEU & Selection April – June 2019
- Outline Solutions - July to August 2019
- Detailed Solutions September – November 2019
- Evaluation and Shortlisting December 2019
- Dialogue Stage January – February 2020
- Final Tender Stage March - May 2020
- Preferred Bidder Identified - June 2020
- Council Approval - July 2020
- Contract Award & Mobilisation September – December 2020

The Director responded to Councillor Mrs Thompson's question in relation to the timeline and OJEU process, and confirmed that the leisure operator would operate the multi sites for a period of 15 years. The Council will comply within the current requirements of the OJEU process.

The Chair thanked officers for compiling the detailed report and he extended an invitation for any Member to take up the opportunity to raise further questions as required.

RESOLVED that the report be noted.

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LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the consideration of the following

item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part I, Schedule 12A of the Act.

13 **ST SIDWELL'S POINT LEISURE CENTRE OPERATOR FORECAST BUSINESS PLAN AND PROCUREMENT**

The Director (JY) sought authority for Members for approval to enter into a competitive Dialogue Procedure for the procurement of the operator of the St Sidwell's Point Leisure Centre. The presentation included more commercially sensitive information.

A Member sought further clarification on a number of assumptions set out in the Business Plan. The Director responded and stated that the Plan included a rigorous and realistic approach to the assumptions set out. Members welcomed the more conservative approach to the surplus estimates with the opportunity to over achieve rather than be too ambitious at the outset.

In response to a comment by a Member requesting assurance on the quality of the Business Plan, the Chief Executive & Growth Director reminded Members that senior officers and expert consultants had produced a robust and updated plan based on Members' priorities and assumptions using benchmarked methodologies.

RESOLVED that the Leisure Complex and Bus Station Programme Board noted the following:-

- a) forecast Business Plan for the operation of the new leisure complex, St Sidwell's Point, and
- b) the link to the procurement for the single operator for all built leisure facilities, and

approved the commencement a Competitive Dialogue Procedure for the procurement of the operator for the St Sidwell's Point Leisure Complex with a specification based on the forecast Business Plan.

14 **DATE OF NEXT MEETING**

The date of the next meeting of the Leisure Complex and Bus Station Programme Board will be held on 27 November 2018.

(The meeting commenced at 5.30 pm and closed at 7.10 pm)

Chair

SSP Operator Contract

Summary Forecast Business Plan October 2018



This report recommends:

The Leisure Complex and Bus Station Programme Board seeks approval to commence a Competitive Dialogue Procedure for the procurement of the operator for the St Sidwell's Point Leisure Complex with a specification based on the forecast business plan.

Noting

- a) the forecast business plan for the operation of the new leisure complex, St Sidwell's Point
and
- b) the link to the procurement for the single operator for all built leisure facilities.

Facility mix



- ❑ Main Pool (25m)
- ❑ Learner Pool
- ❑ Multi-purpose Room/Crèche
- ❑ Gym (140 stations)
- ❑ Spin Studio
- ❑ 2 x Group Exercise Studios
- ❑ Spa – Sauna, saunarium, salt vaporium, relaxation room, manicure/pedicure station and 4 x treatment rooms
- ❑ Small soft play area
- ❑ Cafe

The detailed breakdown of the m2 for each area of the leisure centre shows a total m2 of 5,948m2 and a total build cost of £25,523,745. These values have been used in calculating operational costs such as repairs and maintenance and lifecycle.

Specification: Member priorities



- ❑ The centre is primarily for residents of Exeter
- ❑ Pricing premium for use of SSP
- ❑ The monthly membership rate to be used is circa £36/month
- ❑ Consider corporate rate, junior rate, visitor rate
- ❑ Need to encourage school visits through potentially free swimming sessions
- ❑ Concessions for looked after children
- ❑ Free swimming for under 7's for Exeter residents
- ❑ Crèche facilities
- ❑ Pay living wage
- ❑ No zero hours contracts
- ❑ Possible demand for usage after 10pm
- ❑ Be “sugar smart” in terms of vending and catering offer
- ❑ Car parking refund for leisure centre users

Specifications: General



- ❑ General opening hours: 7am to 10pm M-F: 8am to 8pm S/S
- ❑ Extended opening hours will be explored during the procurement process.

- ❑ The staffing model ensures sufficient staff hours to meet health and safety requirements.
- ❑ e.g. 4 lifeguards on pool side + 1 for rotation.
- ❑ Staff hourly rate in line with or higher than the NL Wage.
- ❑ Staff on costs @ 15% in addition to NI, to cover, pensions, sickness, holidays & training.
- ❑ Approaches to the proposed staffing structure will be explored during the procurement process

- ❑ Car park refund included: car parking strategy to be developed

Specification: Key assumptions



- The centre would be operated on a trust model benefitting from VAT and NNDR relief.
- The business plan is based on 2018/19 prices.
- An allocation for central costs and profit, in line with what would be expected from external operators.
- An allocation for the initial fit out and ongoing replacement of equipment depreciated over 10 years, with the exception of gym equipment: 5 years.
- Included lifecycle costs based on a full repairing lease.
- Increases for inflation have not been included within the projections at this stage but will be managed through the contract Payment Mechanism.
- Developed on the assumption that a competitive procurement process is going to be undertaken.

Conclusions



- The forecast business plan now takes into account a number of additional costs and assumptions that were not factored in to the original business plan.
- This reduces the original overall surplus estimates: however it is a realistic approach tested by industry standards and benchmarks.
- Overall SSP is still expected to achieve a surplus, final financial position will ultimately be influenced by the risk profile in the leisure management contract and market trends at the point of bidding.
- Therefore the planning assumptions underpinning the income and expenditure assessment are conservative.

- **The 25 year surplus revenue makes allowance for the lifecycle costs (repair and replacements) of the facility and will generate income for the Council in excess of the borrowing requirement for the approved funding.**

SSP Operator Contract

Proposed Procurement Process October 2018



Overview

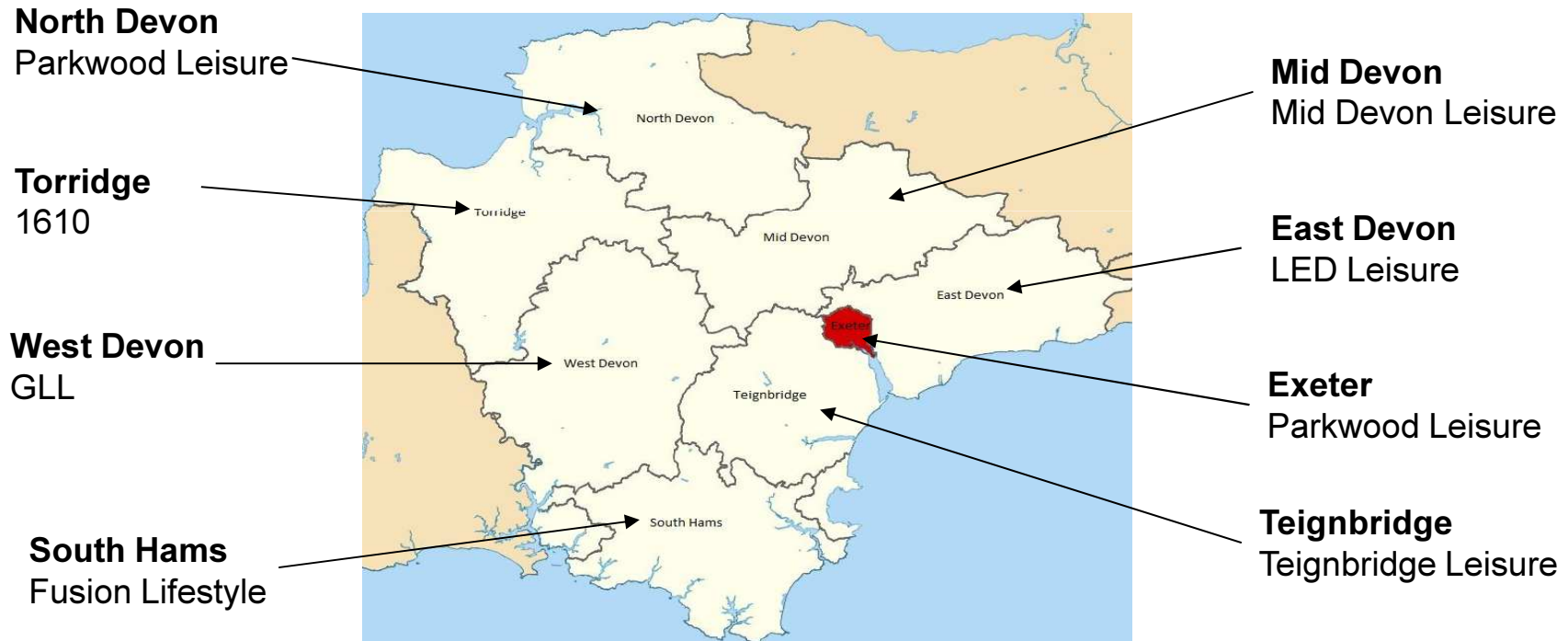


- Current marketplace
- Scope of the procurement
- Procurement options
- Evaluation
- Next steps

Map of operators across the region



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Risk analysis



- Current Council budget reductions mean more tender opportunities
- Therefore – significant number of opportunities currently out to market
- So The Council must:
 - ▣ Set a clear timetable for the procurement process
 - ▣ Be clear in outcomes and objectives
 - ▣ Undertake as simple as possible, a time minimising procurement process
 - ▣ Provide opportunities for operators to make a difference
 - ▣ Have sensible risk transfer aspirations

Scope of the procurement



Scope of Service and Facilities

□ Facilities:

- St Sidwell's Leisure Complex
- Riverside Swimming Pool and Leisure Centre
- Exeter Arena and ISCA Centre
- Wonford Sports Centre
- Northbrook Pool and Golf Course

□ Services

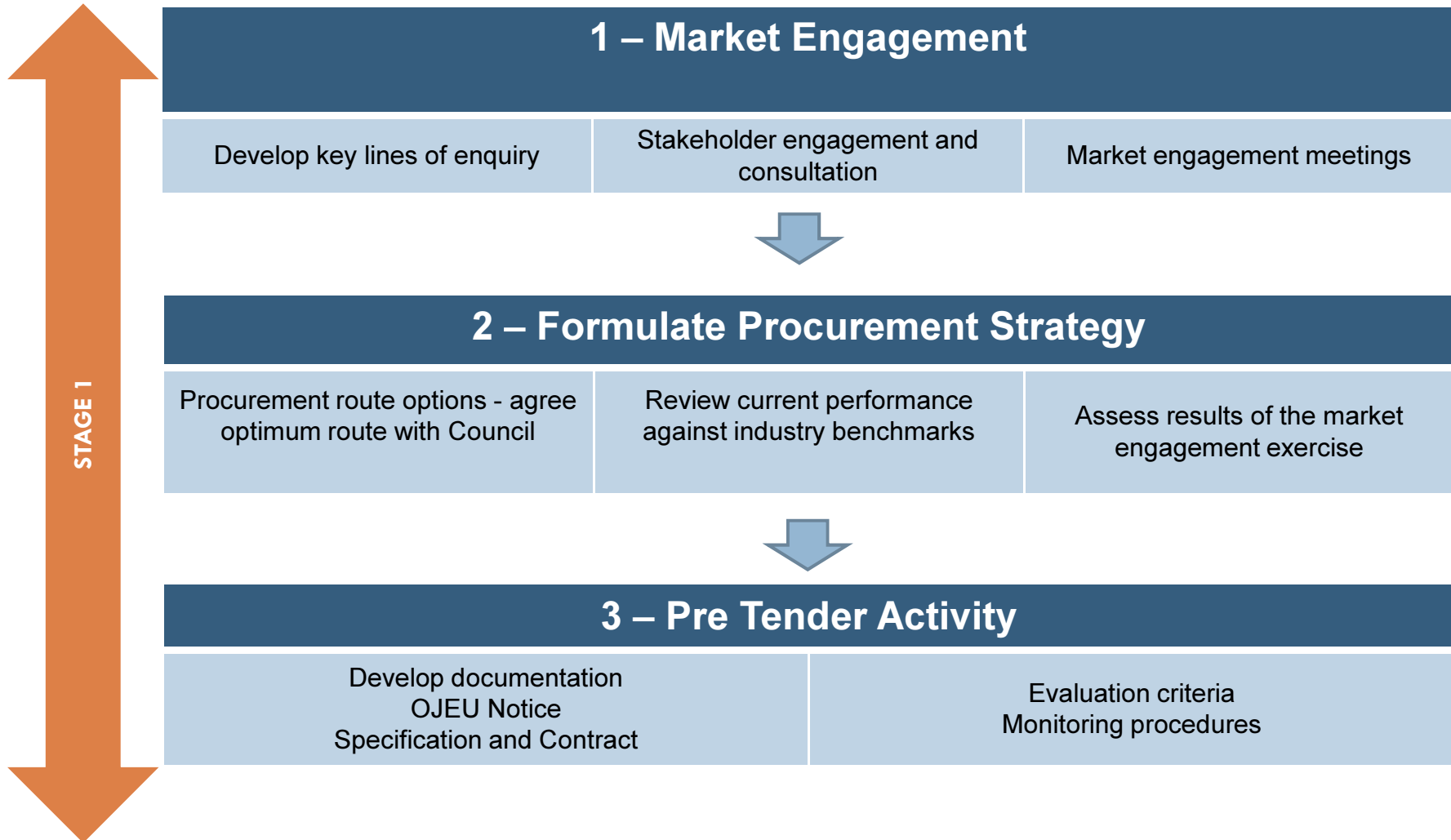
- Sports and physical activity development
- Health and wellbeing
- Community outreach and in reach
- Ground and building maintenance



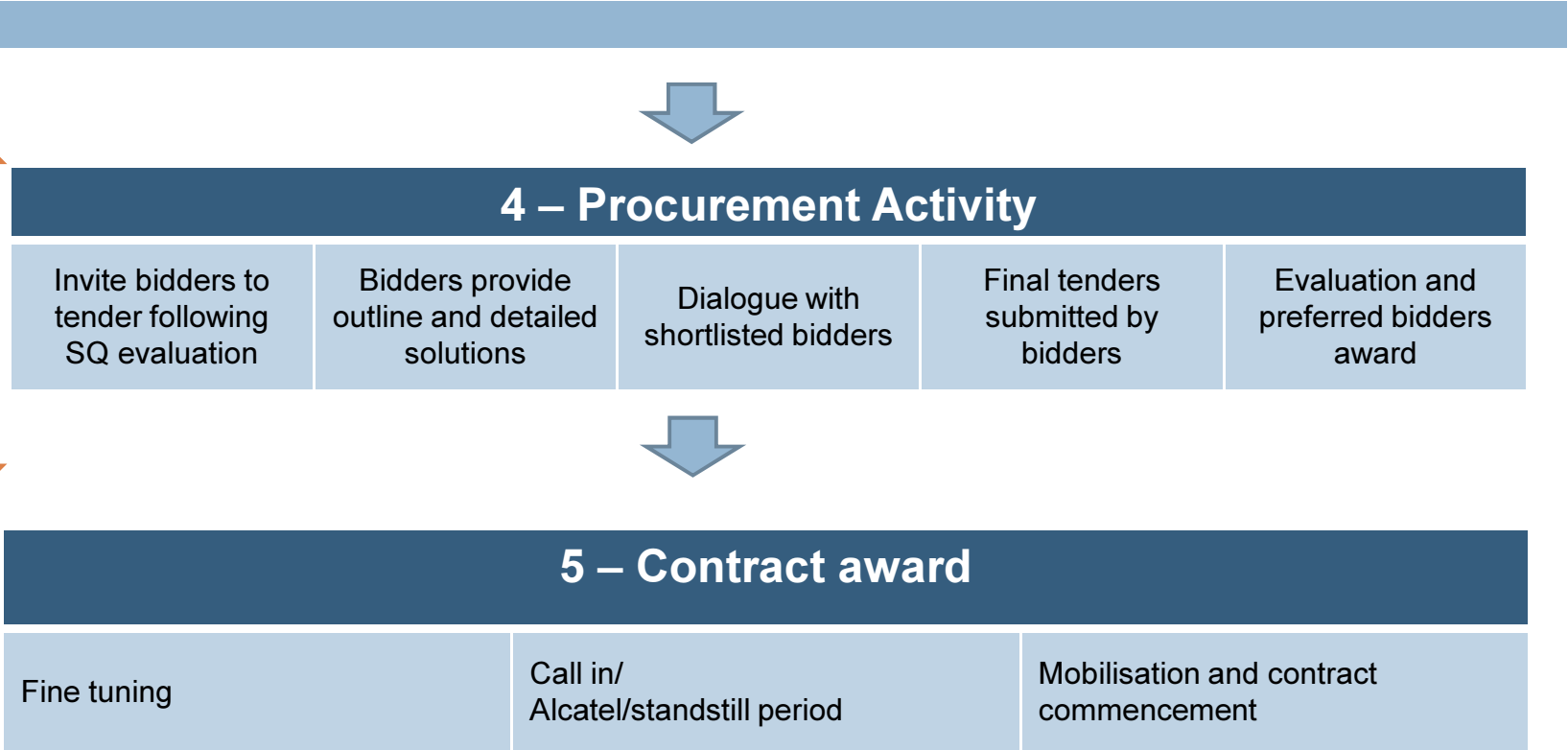
Procurement Options (Public Contract Regulations 2015)

Option	Approach
Restricted	<ul style="list-style-type: none">• A one step process.• A shortlist of bidders (at least five) may be invited to tender (following the supplier qualification (SQ) stage)• Only one round of bids and no mechanism for dialogue, negotiation or down-selecting after pre-qualification.
Competitive procedure with negotiation (CPN)	<ul style="list-style-type: none">• Permits (but does not require) negotiation to take place between the Council and contractor.• It does not limit negotiations until the final stage when the Council will need to select a winning tender and can only make non-material changes to that tender at that point.• Option to award the contract either based on the most economically advantageous tender or lowest price• Useful for relatively simple procurements, which can be secured based on lowest price only, but where an element of negotiation is required before concluding the contract.
Competitive dialogue procedure (CDP)	<ul style="list-style-type: none">• Allows dialogue with bidders to develop solutions to meet the needs of the Council. Dialogue with each bidder to focus on the different aspects of the procurement.

Overall methodology – Stage 1



Overall methodology – Stage 2



Procurement approach

(A Competitive Dialogue Procedure)



OJEU & Selection Q	Outline Solutions	Detailed Solutions	Evaluation & Shortlisting	Dialogue Stage
Apr - June 2019	July – Aug 2019	Sept - Nov 2019	Dec 2019	Jan - Feb 2020

Final Tender stage	Preferred Bidder Identified	Council Approval	Contract Award & Mobilisation
Mar- May 2020	June 2020	July 2020	Sept – Dec 2020

Thank you



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