

COUNCIL – 21 JANUARY 2014

RE: HINCKLEY LEISURE CENTRE PROCUREMENT

REPORT OF THE DEPUTY CHIEF EXECUTIVE – COMMUNITY DIRECTION

WARDS AFFECTED: ALL WARDS



Hinckley & Bosworth
Borough Council

A Borough to be proud of

1. **PURPOSE OF REPORT**

To advise Members of the outcome of the procurement process in relation to the development of a new innovative and dynamic Leisure Centre facility, for all residents of the Borough, on Argents Mead, Hinckley.

2. **RECOMMENDATIONS**

- 2.1 That Members note and commend the high quality tender submissions that have been submitted.
- 2.2 That Members agree the selection of Bidder A as the Council's Preferred Bidder with Bidder B appointed as reserve bidder in case the contract with Bidder A cannot be finalised. This selection being based on the evaluation scores summarised in Section 6 and detailed in Appendix 1.
- 2.3 That Members note the positive income stream that will be provided via the management fee by the Bidder.
- 2.4 That Members note and approve the additional capital budget requirement of £1.35m to fund the enhanced facility at a total cost of £13.55million.
- 2.5 That Members approve an increase in the Council's Authorised Borrowing limit by the amount of the increase of £1.355million to take the Authorised Limit in 2014/15 to £97.4million (including the HRA)
- 2.6 That members note that in the first year, 2015/16, there may be a shortfall in revenue funding of up to £360,000 arising from the servicing of the borrowing prior to the opening of the new Leisure Centre. Members will in due course be asked to approve funding of this amount from General Fund Balances. This amount will be replenished in full in the following year.
- 2.7 That Members note and endorse the program for delivery of the new Leisure Centre.
- 2.8 That Council delegates to the Project Team, in conjunction with Deputy Chief Executive (Community Direction) and Leader of the Council, the oversight of the program of delivery up to the construction and opening of the new facility.
- 2.9 That upon transfer to the new facility on Argents Mead, Council approves the disposal of the existing Leisure Centre site, in accordance with the Councils adopted Disposal Strategy, with the capital receipt being assigned to fund the Leisure Centre scheme.

3. **BACKGROUND TO THE REPORT**

At the Council meeting convened on 13th November 2012, Members unanimously agreed (minute no. 265) that:

- (i) The building of a new facility to replace the existing leisure centre, be approved;
- (ii) The development of a new leisure centre on Argents Mead, subject to maintaining and enhancing the green space and adding value to the park, be approved;
- (iii) The facility options, procurement process and timescales as set out in sections 5 and 6 of the report, be approved.

An internal project management governance structure was agreed, which included a strategic Project Board and a multi disciplined and experienced Project Team.

4. NEW LEISURE CENTRE REQUIREMENTS

The principle underpinning the new development is based on providing a core set of leisure facilities, which are commercially viable and, where feasible, offer an enhanced experience for customers. Increasing the main swimming pool offer from 6 lanes to an 8 lane competition pool and increasing the number of gym stations are just two of the enhancements.

The Management term is based on a 20 year contract period, as this offers the best financial return on investment and has helped secure the level of capital commitment that the developers are willing to fund. The preferred bidder will design, build, operate and maintain the facility for the life of the contract. This significantly reduces the financial risk to the authority. Captured within the contract will be responsibility that the bidder will need to have fees and charges approved by the Council. This is in keeping with current operational procedures. There are also key performance criteria against which the contract will be monitored, including:

- Delivery of a bespoke Sports Development Action Plan that aims to increase participation;
- Focused Reducing Health Inequalities Action Plan that will deliver improved health outcomes for residents;
- Targeted programmes aimed at specific markets i.e. over 60's, children, low income families, to name just a few;
- Complement the economic regeneration of Hinckley Town Centre, by increasing footfall and secondary spend;
- Seek to obtain Quest (nationally recognised quality accreditation) rating of 'Outstanding';
- Other key performance indicators focussing on usage, profit and loss, customer feedback, programming, energy consumption – note this list is not exhaustive.

Retaining office accommodation for the Council's Cultural Services Team within the facility will assist in monitoring the contract by having a visible presence on site.

5. PROCUREMENT PROCESS

Following the decision in November 2012 to proceed with facilitating the procurement of a new Leisure Centre, a robust process has been undertaken to get to this point. This can be summarised into 3 steps.

Step 1 Professional support

HBBC jointly appointed an experienced Leisure Consultant (Robin Thompson) to provide professional guidance and expertise throughout the tender process. The partnership with Oadby & Wigston Borough Council offers efficiency savings. A Memorandum of Information was produced that detailed the Council's requirements.

Step 2 Invitation to Submit Detailed Solutions

8 expressions of interest were received. Following short listing through the pre qualification questionnaire process, 5 Bidders were invited to submit detailed solutions. During this process one Bidder decided to withdraw from the process on commercial grounds. 4 tender submissions were received and evaluated.

Step 3 Invitation to Submit Final Tender

3 companies were invited to this final stage of the procurement process. During this process one company decided to withdraw from the process on commercial grounds. 2 final tenders were received.

6. EVALUATION OF FINAL TENDERS

As detailed in Final Tender Evaluation Executive Summary report (Appendix 1) each of the tenders was critically and objectively assessed and was scored accordingly.

The final evaluation scores were as follows:

Evaluation Area	Includes	Maximum score	Bidder A	Bidder B
Technical	The design and capital proposals – including the planning risk	10%	8.3%	7.8%
Commercial	Financial and legal offer, including overall delivery and risk of the project	50%	42.7%	33.9%
Services	Includes the operational approach to the services, such as delivery of outcomes, customer care, programming, maintenance, etc	40%	29.7%	30.9%
Total Score		100%	80.6%	72.6%

Bidder A received the highest overall percentage score and therefore this is the company that the Project Board are proposing be invited to become the Council's Preferred Bidder. The minor percentage difference within the services category is not significant – of the 21 sub sections within this category 19 areas exceed the council's requirements and are rated as very good with just 2 are deemed to be acceptable, achieving satisfactory minimal standards with no major concerns.

7. KEY BENEFITS

The list below represents some of the key benefits this exciting capital development will bring to the Borough:

Strategic

- Supports the economic sustainability and vitality of Hinckley Town Centre by increasing footfall, especially on Castle street and Upper Castle Street. Potential secondary spend modelling estimates this could be worth circa £4m to the local economy.
- Provision of a fit for purpose 'state of the art' Leisure Centre facility, with a life expectancy in excess of 40 years
- Enhanced facilities for existing customers and a growing population
- Strong partnership with national leisure provider
- Will contribute to improving residents' health and wellbeing
- Flexible facility design will encourage increase in participation amongst target groups such as schools and clubs.
- The new opportunities presented at the facility will inspire and motivate the next generation of athletes to achieve sporting excellence.
- The new facility will be significantly greener and more environmentally friendly than the old Leisure centre.
- Via a sensitive design, the facility will complement and increase the Argents Mead open space.
- Accessibility enhanced resulting from Crescent bus station development.

Financial

- Project is deliverable within the Council's affordability.
- Will provide HBBC with a significant index linked revenue management fee from the Leisure Operator for the 20 year contract.
- Pricing structure has been protected ensuring entry fees do not present a barrier to participation.
- Provides cost certainty for the period of the contract and overall the 'value for money' this projects achieves is excellent.
- Provides the Council with ownership of a new facility on HBBC land.
- Fees and charges levied by the operator will have to be approved by the council, in keeping with current operational procedures

Facilities

The new Leisure Centre will include a minimum of the facilities listed below:

Summary of new facilities
Main Pool 8 lane, 25 metre pool + 100 seats
Large Learner pool with Separate wet play area for young families
Sports Hall with 8 badminton courts
Health and Fitness gym 120+ stations
Dance Studios/ Multi Purpose Rooms x 2
Catering Area
Family Climbing Wall
DDA compliant with changing place toilet
Village style Changing Rooms
Integrated partnership accommodation
Car Parking
Complementary landscaping, Grassed play area, suitable for school use

Management contract

The current leisure centre management contract expires 31st March 2015. Bidder A will undertake the operational management of the existing Hinckley Leisure Centre as from 1st April 2015. Any costs associated with this are contained within Bidder A's tender submission.

8. CONSTRUCTION/CONTRACT TIMETABLE

The table below captures the key elements with regards to the signing of the contract and construction of the new facility.

When	Action
January 2014	Award of contract offer inc. 10 day stand still period
February 2014	Demolition of former council Offices begins
February 2014	Planning application submitted
May 2014	Planning determination
May 2014	Close of contract – formal signing
Early Summer 2014	Building works commence on site at Argents Mead
31 st March 2015	Existing Leisure Centre Management contract ends
1 st April 2015	Preferred Bidder to manage existing facility until completion
Summer 2015	Building works complete

9. FINANCIAL IMPLICATIONS (KP)

- 9.1 The proposed capital programme for 2014-15 onwards currently includes expenditure of up to £12,200,000 to fund the Leisure Centre scheme. This will need to be increased to reflect the preferred bidders proposal of £13.55million upon agreement of the contract. The profile of this cost and the financing arrangements are detailed below.

	TOTAL COST	ESTIMATE 2013-2014	ESTIMATE 2014-2015	ESTIMATE 2015-2016
	£	£	£	£
Expenditure	13,550,000	50,000	6,750,000	6,750,000
Financed by				
Leisure Centre Reserve	2,660,000	50,000	2,610,000	0
Capital Receipts (depot site)	2,000,000	0	2,000,000	0
Leisure Centre Temporary Financing	3,400,000	0	0	3,400,000
Leisure Centre Borrowing	5,490,000	0	2,140,000	3,350,000
Total financing	13,550,000	50,000	6,750,000	6,750,000

- 9.2 In order to ensure that the enhanced scheme could be funded, an increased debt "Authorisation Limit" was approved by Council in July 2013 to fund elements of the

scheme that could not be met by internal resource. This was based on a forecast capital outlay of £12.2million and therefore will require the Authorised Limit to be increased to ensure approval for funding of the entire scheme. Based on the current Treasury Management forecasts included in the Capital Programme, it is therefore recommended that the Authorised Limit in 2014/2015 is increased to £97.4million as calculated below:

Authorised limit £m	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
	2013-2014	2014-2015	2015-2016	2016-2017
<i>Debt</i>				
HRA (Debt Cap)	72.0	72.0	72.0	72.0
General Fund	15.5	16.6	27.1	23.5
Bus Station Loan	7.0	7.0	0.0	0.0
Other long term liabilities	0.4	0.4	0.4	0.4
Total	94.9	96.0	99.5	95.9
Additional Leisure Centre	0	1.35	0	
Total Proposed Limit	94.9	97.4	99.5	95.9

* Note: The current Debt limits include the £4million increase in limit approved by Council in July 2013

- 9.3 The scheme proposed by the preferred bidder meets the following affordability requirements set out in the tender specification:
- A capital cost that can be met by internal resource and prudential borrowing
 - Delivery and commitment to an income stream to the Council after proving for any costs of borrowing
 - Centre management contract costs as from 1st April 2015 are included

- 9.4 Bidder A provides the best offer to the Council and are prepared to pay the Council £902,000 per annum (on average) over the life of the contract, which after the cost of financing would be reduced to an income of £485,000 to the Council.

The total net income from Bidder A for the term of the 20 year contract would be £18,040,000.

- 9.5 Bidder B would pay £540,000 per annum which after cost of capital repayments comes down to an income of £282,000 per annum.

The total net income from Bidder B for the term of the 20 year contract would be £10,800,000.

- 9.6 In the first year, 2015/16, there will be a revenue cost to the Council during construction and pre- opening of the Leisure Centre as the debt of up to £6m will need to be funded without any management charge income to offset against this cost. This cost will be temporarily funded from General Fund Balances with a view to replenishing the balance in the following 2016/17 year.

10. LEGAL IMPLICATIONS (AB)

- 10.1 The Local Government Miscellaneous Provisions Act 1976 gives the Council power to provide such recreational facilities as it sees fit including the provision of sports centres.

10.2 The Council will now enter into a Design Build Operate and Maintain contract with the Bidder. The contract has been drafted on the Council's behalf by Freeth Cartwright solicitors who will continue to act until the contract is signed and completed.

10.3 On completion of the contract the Argent's Mead site will be leased to the successful bidder to allow them to build and operate the leisure centre.

11. CORPORATE PLAN

This project will assist the Council in achieving the following key priorities:

- Improve health and wellbeing and Sustain economic growth
- Reduce our impact on the environment
- Identify and plan to meet the needs of the ageing population
- Give children and young people the best start in life
- Accessible services for all and To value partnerships

12. CONSULTATION

Extensive consultation primarily focused on existing users has been undertaken. This information helped to shape the final tender submissions received from the bidders.

13. RISK IMPLICATIONS

In keeping with the Council's Project Management Policy, a Risk Register on this project is available to view upon request. The table below captures high level risks:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Securing planning permission	Close liaison with bidder and Planning authority and external key stakeholders i.e. LCC Highways, Sport England and English Heritage	HBBC
Delivery of the facility within time and budget and reliance on external partners	Develop robust performance management during the construction phases. Ensure sound financial systems and processes are in situ.	HBBC/Contractor
Continuity of service to the existing customers of Hinckley Leisure Centre in an ageing facility	Ensure preventative and reactive maintenance and operating schedules are adhered to.	HBBC/Contractor
Ensuring cost certainty and quality of works	Joint appointment of a Independent Certifying Officer and Clerk of Works	HBBC/Contractor

14. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The new facility will serve the residents of the Borough. It will have enhanced user friendly disabled facilities which will increase participation.

15. CORPORATE IMPLICATIONS

Numerous internal Teams have been fully engaged in the procurement process.

Background Papers:	Council report 13/11/12
Contact Officer:	Simon D. Jones, Cultural Services Manager
Executive Leads:	Councillor Stuart Bray, Leader of Council Councillor David Cope, Leisure & Culture Councillor Keith Lynch, Finance, ICT and Asset Management

Appendix 1

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

ISFT EVALUATION

LEISURE MANAGEMENT CONTRACT

JANUARY 2014

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SECTION 1 – INTRODUCTION

Introduction

- 1.1 In December 2012, Hinckley & Bosworth Borough Councils and Oadby & Wigston Borough Councils (the Councils) invited Expressions of Interest, through the competitive dialogue process, for Partner(s) to further develop and enhance Leisure Facilities in both Boroughs through the Leisure Management Contract. A notice was posted to the Official Journal of the European Union (OJEU) in December 2012. Applicants were asked to return Expressions of Interest, including completion of the Pre-Qualification Questionnaire (PQQ), to the Councils.
- 1.2 The PQQ evaluation was undertaken and five bidders were shortlisted and received an Invitation to Submit Detailed Solutions (ISDS) and to participate in further dialogue.
- 1.3 Four bids were received by the deadline with one bidder declining to bid because of a lack of resourcing. The ISDS evaluation undertaken shortlisted three bidders to go forward to the Invitation to Submit Final Tender (ISFT) stage.
- 1.4 Two bids were received by the deadline with one bidder declining to bid due to resourcing and competing priorities.
- 1.5 The ISFT stage asked bidders to provide responses to design, build and operate a new Leisure Centre on the Argents Mead site to meet the Council's facility mix requirements which includes a 8 lane, 25 metre pool and 8 court sports hall, together with ancillary facilities (including commercial development).

Purpose of this report

- 1.6 This report provides a summary of the ISFT responses and scoring of those applicants submitting. Its purpose is to inform the Councils of the outcome of the evaluation and make recommendations on Applicants that should move forward to the next stage of the procurement process, to appoint a preferred bidder.
- 1.7 The report also identifies the various areas and issues which will be resolved at preferred bidder stage prior to contract close and finalisation.

SECTION 2 – EVALUATION PROCESS OVERVIEW

Introduction

- 2.1 The purpose of this stage of the evaluation process is to evaluate the bids received against the evaluation criteria to test both financial proposals and the technical, services and innovation presented by each bidder. This will lead to the appointment of a preferred bidder.
- 2.2 ISFT Bids were received on 3 December 2013 and each evaluation team undertook an evaluation of the bids in accordance with the areas identified in the evaluation matrix, as set out later in this section. The evaluation teams were
1. Services Team
 2. Technical Team
 3. Financial Team
 4. Legal Team
- 2.3 The financial and legal evaluation combines to deliver the overall commercial evaluation score.

Evaluation Criteria and Weightings

- 2.4 The evaluation matrix that was developed during the preparation for the ISDS documentation has been maintained during the ISFT phase and is summarised in Table 2.1 below.

Table 2.1 - Evaluation Matrix

Evaluation Area	Maximum score	Description
Technical	10%	The design and capital proposals – including the planning risk
Commercial	50%	Financial and legal offer, including overall delivery and risk of the project
Services	40%	Includes the operational approach to the services, such as delivery of outcomes, customer care, programming, maintenance, etc
Total Percentage Score	100%	

- 2.5 Each of the areas presented above was split into more detailed evaluation areas and each of the bidders were scored out of 10 in accordance with the following table for the tier 3 weightings and then these scores were weighted and combined to give an overall percentage score for the bidder.

Score	Rating	Criteria for Awarding Score
0	Unacceptable	Does not meet any of the Councils' requirements.

SECTION 2 – EVALUATION PROCESS OVERVIEW

Score	Rating	Criteria for Awarding Score
1-2	Very Weak	Insufficient information provided / unsatisfactory.
3-4	Poor	Fails to meet the minimum standard, some major concerns
5-6	Acceptable	Satisfactorily achieves the minimum standard, acceptable, no major concerns
7-8	Very Good	Exceeds the requirements, good, full and robust response, gives confidence and will bring added value/benefit to the Councils
9-10	Excellent	Considerably exceeds requirements, outstanding, and will bring significant added value/benefit to the Councils, shows innovation and the Councils have full confidence in response.

2.6 There were two areas where the pass mark for evaluation was 5 out of 10 and any responses scoring less than this would be considered not to have met the requirements. These areas were

- Health and Safety
- Staffing

2.7 Following initial scorings a number of clarification questions were asked of the bidders, following which the scores were refined and final scores are presented in this report.

SECTION 3 – EVALUATION SUMMARY AND RECOMMENDATIONS

Introduction

- 3.1 In this section we present the outcomes of the ISFT evaluation with the scores and their overall percentage score.

Evaluation scores

- 3.2 Table 3.1 below summarises the scores for each bidder against the tier 1 evaluation criteria weightings.

Table 3.1 – Evaluation Weighted Scores Summary

Evaluation Area	Maximum score	Bidder A	Bidder B
Technical	10%	8.3%	7.8%
Commercial	50%	42.7%	33.9%
Services	40%	29.7%	30.9%
Total Percentage Score	100%	80.6%	72.6%

- 3.3 The commercial evaluation includes the legal evaluation.
- 3.4 The scores presented above reflect the overall evaluation, with Bidder A scoring the highest of the two bidders. We summarise and compare a number of the key issues for each of the bidders in the table overleaf

SECTION 3 – EVALUATION SUMMARY AND RECOMMENDATIONS

Table 3.2 – Comparison of Bids

Issues	Bidder A	Bidder B
Facility Mix Proposals	<p>Both bidders have presented proposals which deliver the specification required by the Council to include</p> <ul style="list-style-type: none"> • 8 lane 25 metre Pool and learner pool • 8 Court Sports Hall • Fitness Suite and Studios (both bidders have presented larger spaces) • Partner accommodation space • Café and ancillary facilities (changing, reception, plant, etc) <p>In addition each bidder has presented additional facilities over and above the Councils requirement to include:</p>	
	<ul style="list-style-type: none"> • Family Climbing Wall • Larger Learner Pool with moveable floor • Separate splash/water familiarisation and fun zone in pool hall • Glazed Group Cycling studio • Health Suite (Sauna and steam rooms) • Moveable wall between studios 	<ul style="list-style-type: none"> • Climbing Wall • Flowrider – indoor surfing machine • Trim Trail for park • Group Cycling Studio
Design Principles	<p>Both bidders have presented proposals which develop the buildings within the constraints of the covenants and enhancing the green space on the park. This includes providing the playing space for the school.</p> <p>Neither facility provides any issues from a planning point of view.</p>	
Capital Cost	£13.55 million	£11.1 million
Opening of New Facility	Summer 2015 (construction starts June 2014)	July 2015 (construction starts April 2014)
Service Delivery	<p>Both bidders have presented good proposals and plans to deliver the Council's specification and outcomes through their sports development plans and quality delivery.</p>	
Price Proposals	<p>Bidder A have met the terms of the specification and also included a reduced gym only membership offer to reduce the price for customers</p>	<p>Bidder B have proposed prices in line with the existing prices and in accordance with the specification</p>
Legal Mark Up	<p>Bidder A have presented a mark up which is based on Sport England documentation and there are no major issues in respect of delivering the contract.</p>	<p>Bidder B have presented a mark up which is likely to need further work to get to contract close, however there are no major issues.</p>

SECTION 3 – EVALUATION SUMMARY AND RECOMMENDATIONS

- 3.5 In addition to these issues we have analysed the financial proposals and present in the table below the financial proposals compared.

Table 3.3 – Financial Comparison

£'000's	Bidder A	Bidder B
Net Management Fee (to)/from the Council	(902)	(540)
Capital Repayments (prudential borrowing)	417	258
Net Cost/(Income) to the Council	(485)	(282)

Note: the capital repayments are based on the borrowings the Council will make above the £7.1 million they are providing

- 3.6 As can be seen from the table above Bidder A provide the best offer to the Council and are prepared to pay the Council £902,000 per annum (on average) over the life of the contract, which after the cost of financing would be reduced to an income of £485,000 to the Council.
- 3.7 Bidder B would pay £540,000 per annum which after cost of capital repayments comes down to an income of £282,000 per annum.
- 3.8 It should be noted that these figures are an average management fee and the Council will be receiving a profiled management fee. These figures are fixed for the life of the contract and subject to indexation, thus the risk of achieving the income and expenditure projections set out above lies with the contractor.
- 3.9 Both bidders have presented examples of how these projections can be delivered and can illustrate where they have achieved similar levels of income and delivered similar increases.

Summary and Recommendation

- 3.10 Based on the scores and evaluation presented **above it is recommended Bidder A are appointed as preferred bidder**, with Bidder B appointed as reserve bidder in case the contract with Bidder A cannot be finalised.
- 3.11 Both bidders have presented schemes which meet the Council's specification and indeed deliver enhanced facilities however Bidder A's financial offer is circa £200,000 per annum better than Bidder B. Both bidders have presented construction programmes of 15 months but Bidder A have assumed a later start date (which may be more realistic) to allow for planning and contract close.
- 3.12 We discuss in the next section the way forward and the approach to finalising the contract.

Next Steps

- 4.1 Within this section we set out the various areas and issues for the next stage of the project including the approach to finalising the contract and reaching contract close (when the contract will be signed).
- 4.2 The next stage of the project at preferred bidder is to undertake two parallel work streams which are
 - Planning Approval
 - Contract Close – finalising the contract ready for signing
- 4.3 Bidder A have presented a programme which seeks to deliver both of these work streams by May 2014, allowing construction to commence in early Summer 2015 and the new facility to be open for Summer 2015.
- 4.4 This is a realistic timescale and it is anticipated that the planning application will be submitted by the end of February 2014, which Bidder A will prepare and submit.
- 4.5 As planning is being submitted the negotiations will be undertaken to finalise the contract and the precursor to this will be the appointment of preferred bidder, with a number of conditions which reflect the discussions and clarifications the evaluation team have had with the bidders.
- 4.6 A key part of this will be the response on the legal mark up from Bidder A. Once the preferred bidder letter has been issued then contract negotiations will commence.

Key Milestones

- 4.7 We set out in the table below the key milestones and timescales for the next stage of the project.

Table 4.1 – Key Milestones

Task	Date
Council Decision	21 Jan 2014
Preferred Bidder Letter Issued (after stand still period)	31 Jan 2014
Planning Application Submitted	February 2014
Planning Approval	May 2014
Contract Signed	May 2014
Construction Commences	Early Summer 2014
New Centre Opens	Summer 2015

- 4.8 If the negotiations on contract finalisation can be completed quicker then there is the potential (if planning approval is resolved earlier) that the construction could be brought forward.