

To: Cabinet
Date: 24 January 2024
Report of: Scrutiny Committee
Title of Report: Leisure Services Contract Award

Summary and recommendations	
Purpose of report:	To present Scrutiny Committee recommendations for Cabinet consideration and decision
Key decision:	No
Scrutiny Lead Member:	Councillor Lucy Pegg, Scrutiny Committee Chair
Cabinet Member:	Councillor Chewe Munkonge, Cabinet Member for Leisure and Parks
Corporate Priority:	Support Thriving Communities
Policy Framework:	Thriving Communities Strategy
Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.	

Appendices	
Appendix A	Draft Cabinet response to recommendations of the Scrutiny Committee

Introduction and overview

1. The Scrutiny Committee met on 16 January 2024 to consider a report concerning the Leisure Services Contract Award. The report, which is due for Cabinet consideration on 24 January 2024, recommends that Cabinet awards a 10-year contract (with 5-year extension option) for managing and developing the Council's three leisure centres, Hinksey Outdoor Pool and the Oxford Ice Rink to Serco Leisure Ltd, subject to officers completing necessary due diligence and pre-contract negotiations; makes various delegations of authority to facilitate the contract award and smooth transition period; and agrees to receive annual reports on the performance of the leisure services and the contractor and to agree the business plan priorities for the following year.
2. The Committee would like to thank Councillor Munkonge (Cabinet Member for Leisure and Parks), Peter Matthew (Executive Director (Communities and People)),

Ian Brooke (Head of Community Services) and Emma Jackman (Head of Law and Governance) for attending the meeting to answer questions.

3. The Committee would also like to thank Jamie Slagel (public speaker) for attending to address the Committee on this item.

Summary and recommendations

4. Cllr Chewe Munkonge, Cabinet Member for Leisure and Parks introduced the report and outlined the procurement process which had been undertaken prior to the recommendation for Cabinet to award the contract to Serco Leisure Ltd. It was noted that other local authorities across the country were in the position of having to close their leisure centres and swimming pools, but Oxford was fortunately not in that position. There were a number of actions which were required to be taken following the award of the contract to ensure a smooth transition to the new provider. The Leisure Services Contract was a key deliverable within the Thriving Communities Strategy.
5. A request to speak on this item was submitted to the Scrutiny Committee in advance of the meeting. Jamie Slagel attended the meeting and highlighted a number of concerns in relation to the award of the contract to the proposed provider. The concerns shared with the Committee spanned a number of years and sectors (including the leisure sector) and particularly related to concerns regarding Serco Leisure Ltd's parent company. The Committee was urged to consider the financial, legal and reputational risk to the Council of awarding the contract to the recommended supplier, alongside the risks to residents in terms of health and safety. The Committee took the public address into consideration during deliberation on the item.
6. Overall, the Committee wished to record the fact that it had grave concerns about the award of the contract to the proposed provider. However, the Committee noted that there was no real alternative option given the risk of legal challenge (and associated financial risk) if the Council did not award the contract to the winning bidder without gathering significant and concrete evidence through due diligence that the proposed provider was not suitable; and due to the fact that the in-house proposal was not financially viable.
7. The Committee asked a range of questions, including questions relating to why the Council's in-house proposals for the provision of leisure services was exempt from publication; the Council's process for assessing reputational risk; the opportunities for input afforded to Members during the procurement process; the arrangements which would be established to manage and monitor the contract; proposed fees and charges for leisure services; the contractual implications in the case of any under-performance by the provider; the impact of the management fee on the Council's Medium Term Financial Strategy; social value; and the financial viability of the Council providing leisure services in-house.
8. In particular, the Committee discussed the reference in the report to the high costs of the in-house proposal for leisure services (*paragraph 21 in the Cabinet report*) and queried why there was additional information included in the exempt appendix setting out the in-house proposal which was relevant to the high costs, but had not been made public. The Committee was advised that consideration could be given to publishing more explicit and detailed information relating to the costs of the in-house

proposal. The reason why the in-house proposal was exempt from publication was to help with futureproofing, as the proposal contained commercially sensitive information and publishing it could disadvantage the Council if it wished to revisit the proposal at a future point in time. Every effort had been made to pull out the key parts of the proposal into the main Cabinet report without compromising commercially sensitive information, but further consideration could be given to this to ensure the maximum amount of information that could be made public was published.

Recommendation 1: That the Council publishes, in the public domain, a more detailed breakdown of the higher costs in relation to the in-house proposal, particularly in respect of expenditure and staffing.

9. The Committee noted the references in the report to arrangements being established to ensure the effective commissioning, delivery and management of the leisure services contract. Noting concerns and issues raised during the life of the current contract, the Committee was keen to receive further information on what these arrangements looked like as soon as possible. The Committee agreed it would also be beneficial for the Committee to understand the arrangements in place to ensure a smooth transition to the new contract.

Recommendation 2: That the Council reports back to the Scrutiny Committee as soon as possible with an update on the arrangements established for the effective commissioning, delivery and management of the leisure services contract – including the arrangements established to ensure a smooth transition to the new provider.

10. During discussion, the Committee raised concerns about the way in which the process around procuring a new leisure services provider had been managed in terms of Member engagement. Members did not feel that they had been given sufficient opportunity to input and highlighted that they had not received enough information, nor had it been received in a timely manner. As a result, the Committee agreed that lessons learned should be taken into account and applied to future large-scale procurement exercises to ensure the Council got Member engagement right.
11. It was also noted that the procurement exercise for the contract had started very close to the end date of the existing contract given the length of time required to run the whole process to award a new contract. This meant that the option to abandon the process and re-tender was not a viable one, as it would have risked the existing contract coming to an end before the process to award and mobilise the new contract had concluded. The Committee agreed it was vital that future procurement processes were started sufficiently in advance that the Council had the option to pause and reassess its options if required, including the option to abandon the process and re-tender.

Recommendation 3: That the Council takes account of lessons learned through the leisure services contract procurement process and takes measures to ensure that future procurement exercises for large-scale tenders are started sufficiently in advance so as to allow for adequate, meaningful and timely Member involvement and to allow the Council time to pause and

reassess its options if required – including the option to abandon the process and re-tender.

12. The Committee noted that there were restrictions on the level of information that Members could access during procurement processes – in particular that Members were unable to access individual bid submissions. The Committee was of the view that enhanced Member access to information during procurement processes would better enable Members to act in the best interests of the communities and residents they served.

Recommendation 4: That the Council makes representations to Central Government expressing the need for greater transparency in local authority procurement processes for Members, to better enable them to act in the best interests of the communities and residents that they represent.

13. Reference was made to the social value weightings placed on bid criteria and questions were raised as to why the social value weighting could not be increased from 10%. In response, the Committee was informed that this particular procurement exercise had a weighting of 60% for quality – which included aspects such as social value, equality, accessibility and inclusion – versus a 40% weighting for cost. The Committee reflected on comments made in relation to the importance of social value in previous years and agreed that it would be helpful if the Council published indicative evaluation matrices on its website so that Members and the public more widely could see what the Council was looking for from prospective bids.
14. In addition, it was noted that the Council was permitted to provide guidance to prospective bidders on what themes it wanted to see addressed within the social value criteria, however it was bidders' decision as to what to include in their bid in response to that guidance. The Committee agreed that it would be helpful if the principles of social value weightings were published on the Council's website, setting out the themes that the Council would like to see addressed in bid submissions – this would enable greater transparency for Members and the wider public.

Recommendation 5: That the Council publishes indicative evaluation matrices for future procurement exercises on the Council website, setting out what the Council is looking for from prospective bids.

Recommendation 6: That the Council publishes the principles of social value weightings in procurement exercises on the Council website.

15. Throughout the course of the meeting, the Committee expressed grave concerns in relation to the proposed provider of the leisure services contract. These largely related to reputational risk to the Council arising from the track-record of the company and its parent company, particularly when considering the Council's position as a Council of Sanctuary. Should Serco Leisure Ltd be awarded the contract by Cabinet on 24 January 2024, the Committee agreed that the Cabinet

should request that the company attends a Q&A session open to all Members to directly address and allay the concerns raised by the Scrutiny Committee. The Committee agreed that it would be prudent to seek a written response to the concerns in addition to the Q&A.

Recommendation 7: That the Cabinet requests that Serco Leisure Ltd, if awarded the leisure services contract, attends a Q&A meeting with Members to explicitly respond to the concerns raised by the Scrutiny Committee; and follows this up in writing to be circulated to all Members for information.

16. The Committee expressed its thanks to Jamie Slagel for attending to address the Committee and make his concerns known. As Cabinet was the ultimate decision-maker in relation to the leisure services contract, the Committee agreed it would be appropriate for the Cabinet to provide a written response to the public address made at the Scrutiny Committee, which could be shared with both the public speaker and the Scrutiny Committee.

Recommendation 8: That the Cabinet provides a written response to the public address delivered at the Scrutiny Committee meeting in relation to the report, which can be shared with the public speaker and the Scrutiny Committee.

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