

## Appendix 7

### The Brent, Ealing & Harrow Strategic Cultural Partnership’s Procurement Process for Leisure & Library Services

#### 1. Aims and objectives

In 2011, the London boroughs of Ealing, Harrow and Brent established a Strategic Cultural Partnership, to jointly procure external management for leisure and library services. The objectives of the procurement process were to;

§ Secure significant cost savings whilst meeting the following service aims;

Leisure Services (all three boroughs)	Library services (Ealing and Harrow only)	Both services
Increasing participation across leisure services, particularly by children, young people and under-represented groups	Increasing use, particularly by under-represented groups	Raising customer satisfaction
Improving public health	A broader community service from library buildings e.g. library buildings as ‘community hubs’	Improving environmental sustainability
Obtaining service improvements	Maintaining the quality of service	Making a positive impact on social and economic sustainability

§ Enable the market to propose solutions that achieve this balance; including, potentially a joint library and leisure offering from the same provider

§ Utilise a ‘hybrid’ process involving the most effective elements of the various available processes; exploiting the flexibility of rules around “Part B” services such as these (i.e. those to which EU Public Procurement regulations apply to, to a limited extent) rather than “Part A” (to which all regulations apply),

This submission explains how these objectives were achieved, within the constraints the EU Public Procurement legislative regime, which arguably operates in favour of the provider and to the hindrance of the buyer.

#### 2. Planning and execution

During 2011 and early 2012, the three authorities;

- **Developed a business case;** outlining the potential synergies, efficiencies and economies of scale of a jointly procured, outsourced Leisure & Library service for the three councils
- **Established a memorandum of Understanding** between participating Councils, supported by elected members
- Established a **Steering Committee**, comprising relevant Directors from the three Councils and a **Working Group**; comprising relevant service Heads from the three Councils and a Procurement Lead and a Legal Lead from Harrow Council.
- Undertook two rounds of **pre-market engagement** to assess the maturity, capabilities and competition in the marketplace and to invite contributions and ideas from potential providers. This established that;
  - Efficiencies, economies of scale and appetite for competition was evident in the leisure market
  - The library market was less developed, with fewer providers and less track record evident
  - The marketplace for joint provision of library and leisure services is currently extremely immature, but providers indicated that it is likely to grow
- Defined **minimum requirements** an **outcome-based specification based on community benefit** (rather than operational ‘inputs’) and shaped a **procurement process** based on three lots; lot 1 for leisure services only, lot 2 for library services only and lot 3 for joint delivery of both services.

An OJEU notice was issued on 5<sup>th</sup> May 2012. An innovative “modified restricted procedure” was used for supplier selection. *Recommendations for contract award have now been made by the Steering Committee*

to Council cabinets in May subject to further investigation by councillors. The targeted award date is 1st June 2013 with contract commencement anticipated from 1<sup>st</sup> September 2013<sup>1</sup>.

### 3. Innovation and creativity

A creative approach was taken to develop and implement an innovative “modified restricted procedure” for this procurement process. This merged the most effective elements of the restricted (for speed and ease), negotiated (for challenging the contractors to make their very best offers) and Competitive Dialogue (for a structured and transparent process) procedures, without the constraints of one single procedure. This allowed adoption of a more proactive commercial role in our dealings with the providers, akin to the standard approach taken in the private sector, but heavily constrained in the public sector when Part A rules apply.

The innovative approach taken to the procurement process involved

- Creating an outcome based specification, which would allow the Partnership to improve services for their communities and for those services to be economically, socially and environmentally sustainable.
- An extended pre-qualification process. This included an assessment of the ability of providers to meet minimum requirements (stated within the operational service specification in an “input” format) *before* being invited to respond to the invitation to tender. The intention was to establish a shortlist of providers who could deliver at the minimum required operational level, so that the ITT could focus on an advanced set of outcome focused requirements, with an appropriate level of assessment.
- Two rounds of tender submission in response to the ITT, with an extended clarification/discussion round in between. These were particularly innovative and beneficial to all parties, because;
  - Providers better understood the Partnerships requirements and were able to challenge the Councils on provision of data, omissions and ask for further details relating to the required outcomes.
  - The Partnership was able to question and challenge providers’ first submissions. There was opportunity to push providers for further innovation, better commitments and probe the justification for their claims.
  - The final round resulted in further, considerable cost savings against initial submissions.
- Pioneering use, for a local authority, of a “weighted 4 point scoring system” and the AWARD system to manage the collaborative evaluation process.

### 4. Organisational benefits achieved (subject to official award of contracts)

**Reduced cost of services;** The total value of contracts was stated in the OJEU notice as being £140m to £160m; a range was stated, rather than a single figure, to stimulate market innovation and discourage target pricing. The total contract price is expected to show substantial savings. There are no automatic inflation increases in the contract price and the price is fixed for the 10 years of the leisure contract, and 5 years for libraries.

**Increased levels of income;** the scoring mechanism was weighted in favour of income generation to encourage bidders to be innovative and proactive in increasing usage and footfall.

**Security of, and improvements to, library services;** Investment will be made in infrastructure, so that libraries will be modernised and fewer than anticipated will be closed.

**Improvements to leisure services;** Service provision will be extended and facilities will benefit from more than £2m of capital investment. Defined action will be taken to improve health and well-being of targeted groups.

**Reduced Cost of Procurement;** The process was leaner than the more typically used Competitive Dialogue process favoured by other councils, taking just 9 months from publication of the OJEU notice to award of contract.

**Contract management;** Service performance will be measured by KPIs shaped against outcome-based objectives, resulting in a “community and customer focussed” style of contract management, rather than the operational focus which is the traditional approach to contract management. One contract manager will manage each of the two contracts on behalf of the three Councils, thus creating further economies of scale.

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<sup>1</sup> Dates may change subject to approvals process

**Appropriate allocation of risk;** The stages of clarification and discussion enabled risk to be identified and sensibly reallocated, to a point where contract price came down proportionately more than the rebalancing might have indicated. For example; utilities prices sit with the Councils but usage sits with the provider, the provider bears the financial risk of usage being lower than anticipated, risk of future deficit in pension funds of TUPEd staff sits with Partnership/ Councils.

**Cross Borough Efficiencies;** Providers are able to offer savings against current service costs by offering a three-borough wide approach to;

- Sharing resources and experience (e.g. centre managers, sports liaison officers)
- Standardisation; aligning services, rates and activities
- Leveraging the value of established brands and incumbent marketing departments to increase income and use amongst target under-represented groups.

**Social, economic and environmental sustainability benefits;** Providers have committed to delivering detailed, specific and measurable action plans that will achieve:

- Equality, Diversity and Inclusion in service provision
- Supply Chain Diversity: Encouraging a Diverse Base of Suppliers
- Environmental Sustainability
- Ethical Sourcing
- Targeted Recruitment & Training (jobs, apprenticeships, work placements etc)

These issues are particularly important to local authorities, politicians and the communities they serve, but many organisations struggle to include them in the procurement process. Our approach to doing so was both entirely legal and robust.