

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 June 2023

<b>Portfolio:</b>	Leisure and Community
<b>Subject:</b>	<b>Award of Contract – Fareham Live</b>
<b>Report of:</b>	Director of Leisure and Community
<b>Corporate Priorities:</b>	Leisure Opportunities for Health and Fun Maintain and Extend Prosperity

**Purpose:**

This report seeks approval to award the contract to operate Fareham Live on behalf of the Council to the preferred bidder.

**Executive summary:**

The skill required to programme and operate Fareham Live means that management by an experienced operator is required.

Following the withdrawal of BH Live as the Council's preferred operator on the 20 October 2021, the Council have undertaken a new procurement exercise.

This report seeks approval to appoint the preferred operator of Fareham Live. Following a detailed procurement exercise, three final bidders have provided submissions that offer a varied and high-quality programme of events and activities to enable Fareham Live to be a vibrant venue with activity throughout the day and evening.

The evaluation of the submissions and preferred bidder are provided in confidential Appendix A.

**Recommendation/Recommended Option:**

It is RECOMMENDED the Executive agrees that:-

- (a) the tender submitted by the contractor ranked 1st as set out in confidential Appendix A to the report, being the most advantageous tender received, be accepted and the contract awarded to the company;
- (b) the contractor ranked 2<sup>nd</sup>, as set out in confidential Appendix A to the report is appointed as reserve bidder; and
- (c) Permission for agreement to make minor amendments to the contract with the preferred bidder be delegated to the Director of Leisure and Community in consultation with the Executive Member for Leisure and Community.

**Reason:**

To allow Fareham Live to be operated by a skilled and experienced operator, whilst ensuring the most economically advantageous deal for the Council.

**Cost of proposals:**

The Council will pay an annual management fee to the operator over the life of the contract (12-years with an option to extend by a further 5-years), which will reduce as Fareham Live reaches maturity. There is the potential for this fee to be reduced through a surplus share arrangement and through different management of lifecycle fund.

The costs presented in confidential Appendix A illustrate that in comparison to an in-house submission and also the previous costs of operating Ferneham Hall there are significant savings.

**Appendices:**

**Appendix A: Tender Evaluation Matrix and Preferred Bidder Report (Confidential)** – By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person and category 7A (information which is subject to an obligation of confidentiality) of Schedule 12A Local Government Act 1972 and the Council's Access to Information Procedure Rules.

It is not in the public interest to publish this information as it would harm the Council's ability to conduct procurement activity in accordance with national procurement legislation and to achieve best value in the consideration of bids received, which are supplied under an obligation of confidence in relation to their financial and technical content. If bidders submissions were disclosed their ability to compete for work would be adversely affected by the disclosure of the detail of their competitive bids and could result in the submission of unaffordable or undeliverable bids / remove the necessary element of market competition that drives best value principles

**Background papers:** None

**Reference papers:** Executive report on 16 May 2022 - Regeneration of Fareham town centre, including Fareham Live and Osborn Road Multi-Storey car park

Executive report on 30 September 2021 – Restarting the remodelling of the Fareham Live Project.

Executive report on 3 August 2020 - The naming of Fareham's new Arts and Entertainment Venue

Executive report on 4 December 2018 – Ferneham Hall Vision Review

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 June 2023
<b>Subject:</b>	Award of Contract – Fareham Live
<b>Briefing by:</b>	Director of Leisure and Community
<b>Portfolio:</b>	Leisure and Community

#### INTRODUCTION

1. Ferneham Hall closed its doors for the last time on 5 January 2020. The Planning Committee then granted planning permission for the remodelling works a few months later on 13 May 2020.
2. Due to the impact of COVID-19, all major capital projects were then re-evaluated in 2020. A prudent decision was taken by the Executive on 2 November 2020 to pause the project. At that time, it was unclear what the entertainment sector would look like in the future and whether an 800-seater venue would be the right level of provision.
3. It was agreed at the Executive meeting held on the 30 September 2021 to recommence works on the Fareham Live project, with a revised construction budget and amended performance programme.
4. A contract had previously been awarded to BH Live to operate the venue on behalf of the Council, however on the 20 October 2022, BH Live withdrew from the agreement as a result of the COVID-19 pandemic. Following the withdrawal of BH Live to operate Fareham Live, the Executive approved the procurement of a new, experienced operator to manage Fareham Live.
5. A Member Working Group (MWG) and an Officer Working Group were established to oversee the procurement process alongside the development of designs for a remodelled arts and entertainment venue.
6. This report provides an overview of the procurement process undertaken to appoint an operator to manage Fareham Live. It further seeks approval for the appointment of a preferred bidder as set out in Confidential Appendix A Tender Evaluation Matrix and Preferred Bidder Report.
7. Appendix A is required to be confidential, as defined in Paragraph 3 of Part 1 Schedule 12A of the Local Government Act as the details contained within the document has

information relating to the financial or business affairs of any particular person (including the authority holding that information).

## **BACKGROUND**

8. Fareham Live is currently planned to open as a new community arts and entertainment venue in Spring 2024.
9. The skill required to programme and operate Fareham Live, means that management by an experienced operator is required. As well as having the appropriate skills and experience, a charitable trust or equivalent organisation, such as the shortlisted organisations within Appendix A, has more flexibility and freedom to seek external funding and would meet the required criteria to benefit from discretionary Business Rate relief.
10. The Council will retain ownership of the asset and the operator will manage it on the Council's behalf. This model has been successfully demonstrated at Fareham Leisure Centre and Holly Hill Leisure Centre.
11. The Council will pay an annual management payment to the operator, which would reduce as the performance of the operator improves, with potential for a surplus share arrangement to reduce the management fee further.

## **PROCUREMENT PROCESS**

12. Experienced Leisure and Cultural Consultant, RPT Consulting, was appointed to guide the procurement process, having previously worked with the Council on the development of Holly Hill Leisure Centre, and a wide range of publicly and privately-owned arts and leisure venues across the country.
13. Following the withdrawal of BH Live, market engagement was undertaken with potential operators, to assess the likely level of interest in the operation of Fareham Live, which demonstrated there was keen interest.
14. Following market engagement, a tender process was undertaken which sought to identify and seek tenders for the operation based on a 12-year contract (with the potential to extend for a further 5 years).
15. The Council received five initial expressions of interest from the market and, following dialogue, three potential operators provided their initial tenders for the management of Fareham Live.
16. Following evaluation of the initial tenders all three potential operators were asked to submit final tenders, which were received on the 28 April 2023. Final tender evaluations took place during May, with officers looking for the most economically advantageous submission, taking into account the bidders' proposed quality of service and commercial arrangements.
17. Whilst the bids received from the operators are not as financially advantageous as the BH Live positions (both pre and post Covid) they offer a better financial position than the previous Ferneham Hall operating position and the in-house projections which have been undertaken and are detailed in confidential Appendix A.
18. The current financial proposals are based on the market position following Covid and they reflect both the recovery position and also the significant increases in utilities and

other costs due to the impact of the current cost of living crisis. Whilst not getting to a break-even position, they do reflect an improving position as the contract matures.

19. This report seeks approval to appoint a preferred operator for Fareham Live. If approved, the new operator will be appointed, and the contract finalised.
20. Having received a good submission from the second contractor, it is proposed that they be designated as the reserve bidder until the contract with the preferred operator is finalised. This is standard practice and reduces the Council's exposure to risk.

## **FINANCIAL IMPLICATIONS**

21. The tender submitted by the preferred operator is the most economically advantageous received and whilst the Council will pay the operator a management fee throughout the life of the contract, this reduces significantly as the facility matures and performance improves. There is also the potential for the management fee to be reduced further through a surplus share arrangement and amendments to the lifecycle fund management, with the Council taking control of the lifecycle fund allocated within the bidders proposals.
22. The preferred operator (and the reserve bidder) management fee proposals provide the best financial position for the Council, and both offer significant savings on an in-house option and also the previous cost of operating Ferneham Hall.

## **CLIMATE CHANGE CONSIDERATIONS**

23. The preferred operator will be responsible for monitoring energy usage and environmental management across the venue. They will employ best practice approaches to energy and water management, waste and recycling procurement of supplies and sustainable transport in order to help protect the environment.
24. To enable the operator to reduce energy use, the design of the new venue includes the following:
  - The building fabric is fully insulated to minimise heat loss
  - The gas supply to the building has been disconnected to reduce emissions of carbon dioxide
  - The heating will be provided by Air Source Heat Pumps to provide low carbon heating

## **CONCLUSION**

25. An experienced operator is required to run Fareham Live. Following an extensive procurement exercise, three high quality final tenders have been received. It is recommended that the most advantageous tender received, ranked 1st in confidential Appendix A of this report, be accepted and a contract awarded.
26. It is recommended that the tender ranked 2nd in confidential Appendix A is appointed as reserve bidder in the event that the final contract negotiations result in the preferred bidder not entering into a contract with the Council.

**Enquiries:**

For further information on this report please contact Lindsey Ansell, Director of Leisure and Community. Tel: 01329 824567 or Emma Bowler, Leisure and Community Manager. Tel: 01329 824440