

INTERNAL AUDIT REPORT APPENDIX A

Title: Review of Leisure Contract Management Arrangements

1.0 Purpose

- 1.1 The purpose of this short high-level review is to provide an independent opinion on the adequacy of the current Milton Keynes Council contract management arrangements in place with Hertsmere Leisure Trust.
- 1.2 The independent leisure expert conclusions and observations will support the completion of a detailed review that is being undertaken by Milton Keynes Council Audit Services.
- 1.3 The review will also make an assessment of the suitability of the current Key Performance Indicators included within the contract and measured by the Client Service, and make recommendations as to whether the Council are measuring the right indicators that are relevant and proportionate to across the whole portfolio.

2.0 Background

- 2.1 Milton Keynes Council has around 75 buildings and assets that are managed and operated under a variety of different agreements, partnerships, contracts and leases. These range from Sports Clubs, Volunteer managed community facilities and formal tendered contracts with specialist Leisure Operators.
- 2.2 The Councils Leisure & Community Team has responsibility for managing and developing these partnerships along with also being responsible for: Sports Development, Community Group Registration Scheme, strategic planning i.e. Indoor and Outdoor Facilities Strategies through to leading and supporting the development / funding of a range of new build community leisure and sport facilities.
- 2.3 The Council has two long-term leisure management contracts in place with Hertsmere Leisure Trust and 1Life Management Solutions Ltd.
- 2.4 The largest of these is Hertsmere Leisure Trust (HLT) contract, which started in November 2009 for 15 years with a five-year extension option. The annual cost of this contract for 2016/17 was approximately £340k.
- 2.5 HLT trades as Milton Keynes Leisure and operates a very diverse mix of 12 leisure and community facilities on behalf of the Council. These are:
 - Bletchley Leisure Centre
 - Crownhill Sports Ground and meeting place
 - Furzton Sports Ground
 - Hodge Lea
 - Monkston Park Community Centre
 - Oakgrove Leisure Centre
 - Sycamore Hall
 - Tattenhoe Sports Pavilion
 - Walnut Tree Sports Ground
 - Warwick Road Activity Centre
 - Westcroft Meeting Place
 - Westcroft Sports Ground.

- 2.6 The 1Life Management Solutions contract started on 1st March 2016 for 10 years and provides a net annual income to the Council of approximately £196K. This contract was excluded from the scope of this high-level independent review.
- 2.7 An internal audit review on Leisure & Community Facilities – Contract Management was completed in August 2016. This audit concluded that the contract management arrangements in place were ‘Good’. Whilst the scope of both this review and the current audit review is not the same, it is worth noting that this process has been undertaken.
- 2.8 There are complex legacy items / issues that have required resourcing and time since the start of the contract to resolve. These include latent defects at Bletchley Leisure Centre and outstanding completion / execution of leases of the other facilities in the portfolio.

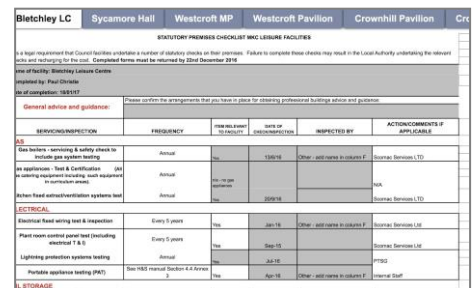
3.0 Methodology & Process

- 3.1 The Audit Services Manager was the lead Council contact and through discussion agreed the scope, process, methodology and timetable for completing this review.
- 3.2 In order to complete the review, identify the observations and provide a summary of conclusions the Consultant undertook the following:
- Information gathering and background for context;
 - Documentation review including; HLT contract, specification, reports, minutes, client structure, KPI's, and a range of other documents provided by the Client Team;
 - Detailed group discussion and dialogue was undertaken on 12th October 2017 with four Council Officers with the responsibility for Leisure Contract Management; and,
 - A site visit was undertaken at a sample of three pavilions and sports pitches and this included Tattenhoe Sports Pavilion.
- 3.3 The Consultant would like to thank the Council Officers for participating in this review, providing the background information and providing open responses to questions and lines of enquiry.

4.0 Client Contract Resources and Approach

- 4.1 The responsibility for Leisure Contract Management sits in the Leisure & Community Service and is part of a broader remit as summarised in 2.2.
- 4.2 The Councils approach to resourcing was described as a ‘thin’ client approach and there are three people (2FTE) within the team – 1FT manager, 1PT focusing on 1Life contract and 1PT focusing on HLT contract. The team record and report on performance through using the Councils performance management system – Performance Plus.
- 4.3 The Consultant was able to spend time speaking and challenging these three Officers along with the new Head of Service who has overall strategic and operational responsibility for the service.
- 4.4 The team appeared generally motivated and showed a high level of commitment to the two contracts, wider partnership agreements and the Council. There seemed to be an underlying frustration caused by a perceived lack of clarity and understanding around the expectations and role of the team from the Councils leadership and Councillors.

- 4.5 The team expressed very strongly that their time and resources can often, and is frequently distracted and diluted in trying to resolve the legacy issues and other strategic pieces of work.
- 4.6 The Leisure & Facilities Officer responsible for the HLT contract was able to demonstrate a clear and planned approach to structuring and setting dates for site visits, general client/operator meetings and when data submission is required. All meetings have an agenda and minutes with actions are recorded and appeared to be tracked through to completion.
- 4.7 There was a planned and structured process in place for capturing and recording 'Statutory Premises Checklist'. Information is requested from HLT and checked to ensure all facilities in the portfolio comply with legislation, are safe and fit for purpose for the community to use. Information is stored on the O:Drive and can be accessed by the Team if required. This is considered good practice.



The image shows a 'STATUTORY PREMISES CHECKLIST MK LEISURE FACILITIES' for various locations including Sycamore Hall, Westcroft MP, Westcroft Pavilion, and Crownhill Pavilion. It includes a table with columns for 'SERVICING/INSPECTION', 'FREQUENCY', 'NEXT DUE DATE', 'DATE OF COMPLETION', 'INSPECTED BY', and 'ACTION/COMMENTS IF APPLICABLE'. Key items include Gas Safety checks, Fire alarm testing, and Electrical safety checks.

- 4.8 The Consultant was shown a document entitled Contract Management Plan and dated 2012 in reference to Contract Number CU 1886 – Hertsmere Leisure Contract. This was in addition to a Supplier Performance Measurement form, and they advised it was part of a contract management framework, which directly related to the KPI's in the contract.



The image shows a 'Contract Management Plan' table with columns for 'KPI', 'Metric', 'Target Value', 'MCA Metric', 'Final Date', and 'Comments'. It lists various metrics such as 'Marketing Strategy', 'Customer Satisfaction', and 'Contract Compliance', with corresponding values and dates.

There was a discussion around the benefits and their understanding of harmonising the process and contract management arrangements, measuring and reporting in place between 1Life and HLT – for benchmarking, efficiency and sharing best practice. The team also understood and recognised that the contract performance indicators are not fit for purpose and some are no longer relevant at all.

On face value, this seemed to be good albeit in need of some fine-tuning. However, when pushed, it emerged that this process was not the actual process being administered or managed by the Client Team. There had been no formal review of the processes / practices required to manage the HLT contract, or any changes made to the KPI's to reflect current best practice and that in fact the measuring and reporting was quite basic and there was no synergy or link with the 1Life contract.

- 4.9 There were a number of documents in place that are used by the team to support and evidence their management of the contract. This includes the *Site Inspection Form* and there was evidence that this was used and site inspections are undertaken across all sports and community facilities. This includes identifying actions for the operator to undertake and they are followed through to completion as part of the general client / contract meetings with HLT.

There was also a form called '*Rectification Notice*'. Firstly, this form was exactly the same the '*Site Inspection*' form, and the teams understanding of a rectification and the use of the term and form had no link at all to Section 13 of the Contract – Performance & Breach. This

section is very clear and the team should familiarise themselves with this and use the correct language. The three rectification notices they believe they have issued this year, would be areas for improvement – not rectifications.

It appears that since 2009 there has been no rectification notices served as set out in the contract.

4.10 There were some positive examples of where the Client team have worked with HLT and been able to deliver improvements that are above the specification and contract requirement. These include; the Sports Development role was only a contract requirement for contract years 1-3, and this has been maintained within the management fee. In addition, and at the time of the visit to Tattenhoe Sports Pavilion, the HLT team were in the process of fitting out the library, which has been re-located to this community venue – these are both great examples of partnership working and best practice.

4.11 The Specification clearly sets out that a Steering Group needs to be established for each of the Community Facilities. These appear to have been done with varying results and success and there has been a range of different options that have been attempted over the years since 2009. These groups provide an excellent opportunity to play a role in the contract management, shape the usage and improvements in the local community and manage relationships. In order for these to work, strong strategic leadership is required from the Council to facilitate these and this needs to be coupled with a commitment from HLT. Anecdotally, these groups have been left for the local groups / Parish Councils to lead and both the Council and HLT have played a relatively passive role. Whilst leadership is always encouraged and supported from and through local users, this needs to be matched by HLT to make these successful and manage the local relationships.

4.12 There seemed to be a positive, supportive and a good relationship between the Council Client Team and HLT and this is structured through the General Meetings that take place four times per year. There did appear to be a lack of understanding and the need to resource a high-level strategic relationship and proactive reporting of the HLT contract through to the Councils Leadership Team and the Member environment either informally or formally. HLT had provided a nine page annual report, which was not shared, reported or communicated at all outside of the Client team.



It is considered good practice to have a Partnership Board in addition to the Client/Contractor operational meetings that would provide strategic governance, challenge, oversight and contribute to innovation and development of Leisure Partnership Contracts.

This would have senior representation from both the Council and HLT and meet at least twice a year, which would include the presentation of the annual plan covering the whole contract and portfolio – not just limited to Bletchley Leisure Centre, Oakgrove Leisure Centre and Sports Development. There is no direct reference to, or any case study examples referencing the other ten community facilities and pitches, which is a significant omission.

5.0 Leisure Contract and Specification

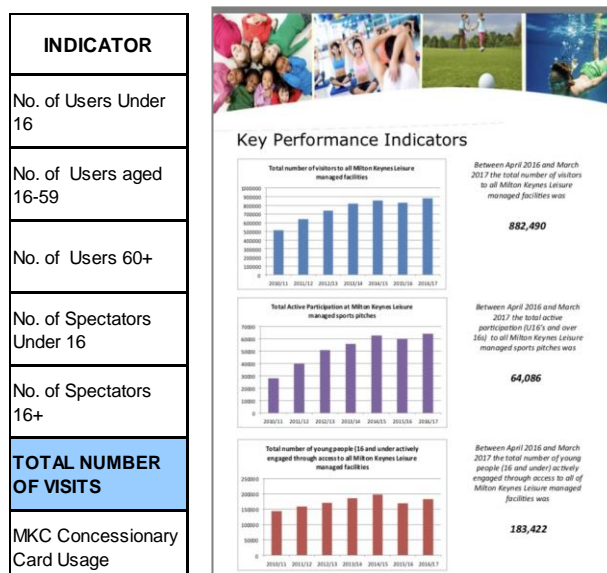
5.1 The Consultant has reviewed;

- Leisure Management Contract CU1886 – Part B Conditions of Contract; and,
- Leisure Management Contract CU1886 – Part C Specification.

- 5.2 This review has been undertaken and the observations are made given the context that this was developed for a contract starting in 2009, and with the knowledge and insight of current best practice Leisure Management contracts and Service Specifications.
- 5.3 In 2012, Sport England published the first Leisure Management Contract Framework, Guidance and Templates. This attempted to combine all best practice and lessons learned from over the previous decade. This changed the emphasis from input/output contracts to outcome based specifications but is very much focused on Leisure Centres, and in particular new builds. It would always be recommended that this should only be used as the starting point and it needs adapting and making bespoke to the facility mix and each Councils local priority outcomes.
- 5.4 Whilst the HLT contract was developed without the knowledge of current best practice, the Consultant would advise that it is not materially different to the core principals of what would be included if it were retendered today. Section 13 of the Contract – Performance & Breach is very clear and does provide the Council sufficient tools to enforce the contract and ensure the specification is being delivered.
- 5.5 That said, the two weaker areas are the specification, which does not completely reflect the community facilities and sports pitches explicitly or as clearly as they could be, and the KPI's and reporting could be much improved.

6.0 Key Performance Indicators and Measuring Outcomes

- 6.1 Annex 2 from the Hertsmere Leisure Contract sets out 11 Performance Indicators under three headings; Service Delivery, Marketing & Research and Customer Satisfaction.
- 6.2 There are a number of these i.e. relating to free swimming that do not exist anymore, and have not done so since 2010 when the Government stopped the funding and the National Indicators set out in the Specification section 20.1.2 no longer exist in this form.
- 6.3 There are also six Performance Indicators that are being reported by HLT and provided to the Client team and only three of these were included in the HLT 2016-17 Annual Report and there was no reference to any of the other KPI's set out in Annex 2.



- 6.4 The Key Performance Indicators should be bespoke and aligned to Milton Keynes Councils four Strategic Themes, link to the Outcomes and cross cutting priorities should be measurable to demonstrate the impact and outcome HLT is achieving,
- 6.5 Currently the KPI's being measured, and those reported do not clearly represent the whole portfolio and only seem to focus on the two Leisure Centres. Whilst it is accept that on some levels that is where the focus should be, to completely omit the community centres and sports pitches is poor, and should be unacceptable to the Council.
- 6.6 The Council could consider adopting and working with HLT to agree a balanced score card approach that is representative and proportional for the mixed portfolio of facilities. This should be an evidenced based approach utilising qualitative and quantitative data. It would be recommended that there is a common thread and at least one signal measurement that is common to the whole portfolio.

For example measuring, monitoring and reporting Customer / User satisfaction at all twelve of the facilities and the sports development service. This would enable benchmarking, show the direction of travel, recognise good practice and facilitate continuous improvement through sharing best practice. The Net Promoter Score is simple, the industry standard and already undertaken at the two Leisure Centres as it is included in the National Benchmarking Service.

HLT could undertake an annual partner perception survey that is sent to all groups, clubs and key stakeholders in order to measure and identify areas for improvement.

- 6.7 HLT can measure the KPI's through a variety of internal and external indicators, to ensure that they are making a positive impact on improving the physical activity levels and health of the Milton Keynes population. This could be through; The Sport England Active Lives Survey, Health Profiles for public health indicators and internal measurement through the Leisure Management computerised booking system. They should also provide regular Case Studies on specific local programmes, activities and users at the leisure, communities and sports facilities.
- 6.8 The Council could consider developing a planned programme and approach to independent mystery visits, calls and emails to feed into their contract management approach and reporting.

7.0 Summary of Conclusions and Observations

- 7.1 The Consultant has concluded that Milton Keynes Council has sufficient resources in place to provide robust and effective contract management of the Hertsmere Leisure Contract as their core and sole function. This includes a combination of a dedicated resource (0.5FTE), a Manager, Head of Service and an Administrator. There is also further opportunities for peer support and sharing best practice with the Officer dedicated (0.5FTE) to the management of the 1Life Management Solutions Contract.

However, as highlighted in section 2.2 and 4.5, the Team are regularly tasked with undertaking a range of strategic projects. These can be complex and resource intensive diverting time and focus away from the core function. If this practice and demand continues to be required of the team then the Consultants view is that this will compromise the Teams ability to manage and maiximise the HLT contract. Therefore, it is recommended that in order

to deliver strategic projects effectively and maintain robust contract management that the Council considers the increased resources required to plan, manage and deliver.

The team were motivated and demonstrated a good understanding of the HLT partnership, with planned and robust approach in a number of key areas, including asset statutory / safety checks, regular recorded meetings and site visits. It was observed that there could be some improvements in their operating practices and expectations / interaction with HLT, especially with regards to the pavilions and sports pitches.

- 7.2 Reviewing the scope, extent and remit of the Client function and agreeing a clear proportional Contract Management Framework corporately would provide the team with improved clarity and understanding of what exactly is expected of them. This would enable better prioritisation and decision making when the team are tasked with other projects, areas of work or responding to specific local complaints.
- 7.3 The Council should consider additional training and support that may be required for professional and technical services i.e. leases for the buildings.
- 7.4 In addition to the current meeting schedule, there would be merit in considering the formation of a Strategic Partnership Board with more senior representation from the Council and HLT to improve and embed organisational ownership. This would also improve the support and recognition of the positive impact that the Client Team is achieving in some areas through HLT.
- 7.5 The Consultant has concluded that there are sufficient tools/clauses in the contract to robustly performance manage Hertsme Leisure Trust and this includes the application of penalties. The understanding needs to improve – using the right tools at the right time for the right reason.
- 7.6 Reviewing the current documentation along with the terminology used as part of the Contract Management Framework will ensure there is a clear and coherent understanding of what constitutes a rectification and other contract terms – and ensure the forms and all documentation clearly represent the contract.

Providing the team with further training so that they can identify competently and confidently poor performance and breaches, along with an agreed process to escalate and log these internally. There is at least one occasion identified during the dialogue, which would have constituted a breach, and the Council could have issued a Contract Rectification Notice and considered if they wished applying liquidated asset damages. The potential implications of the locked fire doors at Tattenhoe Sports Pavilion was not recognised, and the gravity did not appear to be understood, therefore it was not addressed in the appropriate manner.

- 7.7 The Council could take a greater leadership role in facilitating and enabling the Steering Groups in order to manage, listen and build stronger local relationships between the community and HLT. In particular, where they have not been working / had poor representation / attendance there seems to be a link to some of the recurring compliant hot spots. Improving these relationships will lead to a better and more effective response to issues raised, and a reduction in recurring complaints.
- 7.8 There could be improved measuring and reporting from Hertsme Leisure Trust and the Client Team need to also play an improved proactive role in ensuring KPI's, Case Studies and Outcomes are communicated with Milton Keynes Council Leadership Team and the through to Members more effectively. This should be both formally through the committee structure, and informally i.e. through bulletins / newsletters. The HLT Annual Report had

been saved on the C:Drive and not shared / communicated beyond the Leisure Community Team.

7.9 The current KPI's are not fit for purpose and do not have any synergy or link with the Councils Themes or Outcomes. This is an area for review and working with HLT formally agree a set of new Outcome evidenced based measures that include all twelve facilities along with the approach to measuring, frequency and reporting process. These should be formally adopted by the Council through the appropriate structure.

7.10 HLT should be tasked with demonstrating social, economic and environmental value as part of the annual reporting process.

7.11 HLT should provide a comprehensive Annual Report that is representative of the whole portfolio, specification and new agreed KPI' and Outcome measures.

8.0 Appendix 1

Example of Target Indicators that could demonstrate the contribution Hertsmere Leisure Trust is making on delivering the Milton Keynes Council Corporate Plan 2016-2020.

| MK Authority Outcome | Target Indicator | Performance Measures |
|----------------------|--|---|
| A Healthier City | <ul style="list-style-type: none"> Increase participation in physical activity and sport (adults aged 16+) | <ul style="list-style-type: none"> Increase percentage of people taking part in 150 minutes of physical activity per week by a minimum of 1% each year. To propose a delivery plan for targeted programmes, designed using the principals from within the standard evaluation framework for physical activity document, Sport England's Outcomes Framework and Behaviour Change Model featured on P6 of the Towards an Active Nation Strategy. Production of an annual customer engagement plan, which clearly demonstrates the rationale for targeting this priority group, tactics to engage them and corresponding performance measures for each action. Propose general actions and data collection measures for programmes, which clearly demonstrate a contribution towards this indicator (e.g. NGB products). |
| | <ul style="list-style-type: none"> Reduce the number of Inactive people living in Milton Keynes (adults aged 16+) | <ul style="list-style-type: none"> Reduce percentage of people taking part in less than 30 minutes of physical activity per week. To propose a delivery plan for targeted programmes, designed using the principals from within the standard evaluation framework for physical activity document, Sport England's Outcomes Framework and Behaviour Change Model featured on P6 of the Towards an Active Nation Strategy. Production of an annual customer engagement plan, which clearly demonstrates the rationale for targeting this priority group, tactics to engage them and corresponding performance measures for each action. |
| | <ul style="list-style-type: none"> Encouraging healthy eating in the local population | <ul style="list-style-type: none"> Minimum of 25% of options within vending machines to be 'healthy eating' options. |

| MK Authority Outcome | Target Indicator | Performance Measures |
|--------------------------------|--|--|
| <p>A Healthier City</p> | <ul style="list-style-type: none"> An increase in the percentage of young people (11–18) with a positive attitude towards sport and being active; and Increase in the percentage of children achieving physical literacy | <ul style="list-style-type: none"> To propose a delivery plan for targeted programmes, designed using the principals from within the standard evaluation framework for physical activity document (targets to be agreed in due course). Propose actions and general data collection measures for programmes, which clearly demonstrate a contribution towards this indicator. Specific section of the annual customer engagement plan, which clearly demonstrates the rationale for targeting this priority group, tactics to engage them and corresponding performance measures for each action. Increase number of children / adults enrolled on an accredited Learn 2 Swim Programme Propose an early years programme (0-5 yrs) which enhances both fundamental and life skills working in partnership with local nurseries, schools, academies and special schools. Propose any plans to coordinate coaching programmes in schools (e.g. breakfast, lunch, after school clubs and/or PPA cover). |
| <p>A Healthier City</p> | <ul style="list-style-type: none"> An increase in the percentage of young people (11–18) with a positive attitude towards sport and being active | <ul style="list-style-type: none"> Propose actions and general data collection measures for programmes, which clearly demonstrate a contribution towards this indicator. Specific section of the annual customer engagement plan, which clearly demonstrates the rationale for targeting this priority group, tactics to engage them and corresponding performance measures for each action. |
| <p>A Healthier City</p> | <ul style="list-style-type: none"> Increase participation in physical activity and sport (adults aged 16+); and Reduce the number of Inactive people living in Milton Keynes (adults aged 16+) | <ul style="list-style-type: none"> To propose a delivery plan for key programmes, designed using the principals from within the standard evaluation framework for physical activity document, Sport England's Outcomes Framework and Behaviour Change Model featured on P6 of the Towards an Active Nation Strategy. The plan must include a minimum of at least 150 referral completers* per year (collect baseline data from year 1 and set target increases from year 2 onwards) *completer for specialist health referral is defined as someone who attends a consultation, has baseline measures recorded, actively engages at least 75% of the time (9 of 12 weeks), has participated in a minimum of 4 direct contacts with the provider Week 1, Week 2, Week 6, Week 12 and has final measures recorded at 6 months. Focus for this measure are the following areas: Cardiac Rehab, Pulmonary Rehab, Stroke, Cancer and appropriate qualifications will be required. Proposals to support the delivery of Milton Keynes Walking for Health Programme, including actions, which will enhance |

| MK Authority Outcome | Target Indicator | Performance Measures |
|---|---|--|
| | | <p>the current offer.</p> <ul style="list-style-type: none"> Working towards becoming an accredited provider for NHS Health Checks, positioned to deliver by Year [XXX] subject to approval from MKC Public Health/local GP's. Proposals of how you will support the delivery of MKC, Weight Management and smoking cessation within the leisure centre setting. Make meeting rooms available for up to 4 hours per week. Specific section of the annual customer engagement plan, which clearly demonstrates the rationale for targeting this priority group, tactics to engage them and corresponding performance measures for each action. Offering free admission for officially designated carers on all sport and leisure activities, excluding memberships. Continuing to provide the current number of dedicated sessions (including both wet and dry sessions) per week for looked after children as a minimum. Provide free swimming for all foster parents, their families and those participating in family carers initiatives. Ensuring all members of staff attend an annual training session on how engage customers learning difficulties disabilities. |
| <p>A Healthier City A City of Opportunities</p> | <ul style="list-style-type: none"> Facilitate local commissioning of services and suppliers | <ul style="list-style-type: none"> Ensuring that all services tendered are advertised locally as well as nationally to allow local businesses and social enterprises the chance to compete for contracts. [25]% increase in use of local suppliers for catering provision. |
| <p>A Healthier City A City of Opportunities</p> | <ul style="list-style-type: none"> Implementation of a comprehensive apprenticeship and training programme | <ul style="list-style-type: none"> Propose details of a comprehensive apprenticeship programme and relevant data collection, including; <ul style="list-style-type: none"> -number of level 2 apprentices hired per annum, equivalent to at least 1 apprentice per Facility -number of level 3 apprentices progressed/hired per annum, equivalent to at least 1 apprentice per Facility -number of apprentices employed following completion or during their apprenticeship. Developing links with schools, special schools, further and higher education establishments and offer [4] apprenticeships each year. Attend apprentice evenings at local schools to promote careers in Leisure and the apprenticeship programme. Provide at least 2 x work experience slots per centre at any one time when requested for local school children, NEET's and people with a disability. |
| <p>A City of Opportunities</p> | <ul style="list-style-type: none"> Support training and development of existing, new staff and the community | <ul style="list-style-type: none"> Propose a comprehensive CPD/ training programme and data collection of number of qualifications achieved offer at least 1 free place for use by the Physical Activity and Sport Team. Actively promoting training courses such as life-guarding and coaching qualifications to the local community to encourage the up-skilling and potential employment of local residents. |
| | <ul style="list-style-type: none"> Support development of | <ul style="list-style-type: none"> Interview all candidates who declare a disability during the application process. |

| MK Authority Outcome | Target Indicator | Performance Measures |
|---|--|--|
| | <p>people with a disability</p> | <ul style="list-style-type: none"> • Maintain access for disability groups currently using the facilities. • Attend Milton Keynes Disability Sport Group meetings. |
| <p>A Healthier City A City of Opportunities</p> | <ul style="list-style-type: none"> • Support community organisations | <ul style="list-style-type: none"> • Proposing and implementing a community outreach programme which links to the Council's Physical and Sport Team/Strategy. • This should include involvement in sessions, programmes and events which help to achieve the strategic aims of the Council's Health and Wellbeing Strategy |
| <p>A Healthier City A City of Opportunities</p> | <ul style="list-style-type: none"> • Maximise affordable access to high quality sport and leisure provision | <ul style="list-style-type: none"> • Propose a customer service plan which highlights the key actions you will take to ensure a high-quality service is delivered and how you will measure these. Annual targets in line with this will be agreed. |