



Leisure Procurement Strategy

Brentwood Borough Council

December 2023

1. Introduction

- 1.1.1 Brentwood Borough Council (BBC) and Rochford District Council (RDC) are commencing the procurement of a new combined management contract of their leisure facilities and services.
- 1.1.2 BBC and RDC currently have separate management contracts for their respective facilities. RDC's existing contract is with Fusion Lifestyle and BBC's contract is with Sports and Leisure Management (SLM, operating as Everyone Active). Both contracts terminate on 31st March 2025.
- 1.1.3 In order to secure economies of scale and to attract the most interest from the operator market, it is proposed to use the nationally recognised Sport England contract template as the basis for a new contract encompassing both authorities' facilities and services. The new contract for the management and operation of sport and leisure facilities across both Brentwood and Rochford District would commence on 1st April 2025.
- 1.1.4 A critical part of the process is developing a clear Procurement Strategy which sets out the Councils' joint approach to the procurement and establishes a suitable balance between meeting the Councils' requirements and ensuring the opportunity is attractive to the market.
- 1.1.5 The Councils' procurement strategy, which has been developed through consultation with the cross-party Leisure Strategy Working Group, includes:
- The Strategic Objectives for the future delivery of leisure services across Brentwood and Rochford District
 - A clear scope of services that are complementary and appeal to the operator market
 - The proposed contract term including extension periods
 - The proposed procurement route to ensure it meets the Councils' requirements, timeframes and is appealing to the operator market
 - The proposed risk profile between the operator and Council for key areas of responsibility such as maintenance and utilities
 - The proposed use of variant bids to test different scenarios
 - The proposed weighting of Price / Quality for the evaluation of bid submissions.
- 1.1.6 This paper sets out each of these core components of the procurement strategy with brief supporting information.

2. Strategic Objectives

2.1 Introduction

- 2.1.1 In collaboration with RDC, the Council has developed a clear set of Strategic Objectives for the future service which are designed to support its wider strategic priorities. These shall be embedded into the new leisure management contract so that the operator partner is focused on and accountable for delivery of them.
- 2.1.2 Performance indicators designed to measure progress against these Strategic Objectives shall be included within the Services Specification.

2.2 New Leisure Management Contract – Strategic Objectives

2.2.1 The following Strategic Objectives for the future service have been developed through consultation with the cross-party Leisure Strategy Working Group:

1. To deliver a financially sustainable service through an innovative and dynamic approach to programming, facility investment, income generation and operational efficiencies
2. To improve the physical and mental health and wellbeing of residents in Brentwood and Rochford District through increased opportunities to participate in sport and physical activity
3. To increase participation in physical activity by less active residents and those at higher risk of experiencing health inequalities through improved access to facilities and activities
4. To deliver a diverse range of physical activity programmes and cultural events which respond to local needs and maximise opportunities for income generation
5. To deliver high quality, innovative services that meet the required service standards and exceed customer expectations
6. To extend the reach and impact of the services by delivering activities in community settings, parks and open spaces that are inclusive, accessible and appeal to less active groups
7. To develop and maintain effective partnerships with local stakeholders which support the development and delivery of physical activity opportunities as part of the wider health and wellbeing system
8. To support the Councils' net zero carbon ambitions through investment in energy saving technology and effective environmental management of the facilities
9. To maintain and invest in the facilities throughout the term of the Contract to ensure the Councils' assets are protected and they support delivery of a high quality service
10. To provide a skilled workforce that is able to meet the needs of people with more complex physical and mental health issues and to effectively engage with people who have specific cultural and socio-economic needs
11. To deliver wider social value through proactive engagement with community and voluntary sector partners.

2.3 **Recommendation: That the Strategic Objectives listed above are to be included in the Services Specification and used to inform the Councils' approach to the procurement process.**

3. Scope of Services

3.1 Core Leisure Facilities

3.1.1 Brentwood Borough Council's existing contract with SLM includes the operation of:

- The Brentwood Centre
- Hartswood Pavilion, King George's Playing Fields (including management of the outdoor adventure play area and splash pad)

3.1.2 The existing contract with RDC includes operation of:

- Clements Hall Leisure Centre
- Rayleigh Leisure Centre
- Freight House
- The Mill Arts & Events Centre
- Castle Hall

3.1.3 The Mill Arts & Events Centre, Freight House and Castle Hall have subsequently been removed from the RDC contract.

3.1.4 It is proposed that the new combined leisure contract will include the following core facilities:

- Clements Hall Leisure Centre
- Rayleigh Leisure Centre
- The Brentwood Centre
- Hartswood Pavilion, King George's Playing Fields

3.2 Neighbourhood-based outreach service

3.2.1 There is a clear opportunity to broaden the scope of services of the new contract to include a community outreach programme. This procurement process offers an opportunity to create a programme of services to be delivered by the operator outside of the Councils' main leisure facilities. The aim of this outreach programme would be to better tackle inactivity and health inequalities and to make a stronger contribution to the delivery of wider health and wellbeing outcomes.

3.2.2 Increasingly, modern leisure contracts include a requirement for the operator partner to deliver such a programme of neighbourhood-based services. The focus is typically on the delivery of activities and services beyond the core leisure facilities, within local community settings, parks and open spaces.

3.2.3 The primary focus of such a programme is to increase participation in physical activity by less active groups who are less likely to engage within a traditional leisure centre setting. Designing and delivering a programme of accessible activities within familiar, local settings will extend the **reach** and **impact** of the services by engaging with groups that are most likely to experience health inequalities and for whom being more active will have the greatest benefit.

3.2.4 The programme is typically designed and delivered through strong partnership working with the Council and other key stakeholders and should adopt an 'outward-facing' approach to delivery beyond the core facilities.

3.3 The new contract shall include the core facilities listed above and a requirement for the selected operator to design and deliver a new neighbourhood-based outreach service.

4. Contract Length

- 4.1.1 Leisure management contracts are typically 10+ years, often with the option to extend, by mutual consent, for a further 5 years. Operators are reluctant to allocate bidding resources for shorter contracts and, within the context of a busy market, may choose not to bid. Depending on the complexity of the procurement, the cost of bidding can be c. £70K+ and bidders competing with the Council's incumbent operators will need to factor in mobilisation and start-up costs to their financial submissions. The length of contract will therefore be one of the key qualifying criteria for operators when deciding whether or not to bid.
- 4.1.2 Longer term contracts will sometimes generate a better management fee as operators see the opportunity to grow income streams over a longer period. Depending upon local market conditions and the age and condition of the facilities, bidders will typically project income levels reaching 'maturity' after a period of growth and the longer that they are able to maintain this period of 'mature' income, the better the financial offer will be.
- 4.1.3 A major factor when considering contract length is the condition of the facilities in scope. For example, an older facility with a short remaining lifespan would be less likely to be let on a long-term (15+ years) contract due to the increased risk of maintenance liabilities and potential for closure.
- 4.1.4 Recent market engagement exercises undertaken by SLC indicate that operators are happy to consider contract opportunities with an initial term of 10 - 15 years.
- 4.1.5 Given that the Councils wish to explore investment into the facilities during the contract term, it would be beneficial to allow flexibility through the inclusion of an extension period(s).

4.2 Recommendation: That the contract term is for a period of 10 years with options to extend for two separate periods of up to 5 years each (10 + 5 + 5). A longer initial contract term of 15 years will also be tested through a variant bid.

5. Investment Plans

- 5.1.1 The Councils have an aspiration to improve the quality of their leisure facilities through the delivery of capital investment projects which enable the facilities to better meet the needs of users, and which are supported by a viable business case in terms of a return on investment.
- 5.1.2 SLC is currently supporting the Councils with feasibility studies to explore potential investment options at The Brentwood Centre, Clements Hall Leisure Centre and Rayleigh Leisure Centre. The feasibility studies are underway and needs analysis work has been undertaken to determine investment options.
- 5.1.3 A leisure procurement is the ideal time to consider capital investment in facilities. Investment at the start of a 10 - 15-year contract will optimise the return on investment by providing a long period over which additional income can be generated by the operator. It also provides the Councils with a fixed and secure revenue position to help support the business case.
- 5.1.4 The procurement process itself can be used to seek proposals from bidders and to 'test' the business case for different investment proposals. A contract which includes investment will also be more attractive to the operator market and provide a 'hook' for competing bidders who will recognise this as an opportunity to make a real difference to service provision.

- 5.1.5 The procurement route of Competitive Procedure with Negotiation (CPN) provides for a staged approach to bid submissions enabling Initial Tenders to be developed by bidders, reviewed by the Councils, and discussed further through dialogue with bidders before setting the requirements for the Revised Tenders. Bidders would be required to submit the following:
1. A Baseline Tender Price based on the existing portfolio without investment which assumes operation of the facilities in their current form for the full term of the contract, and on the basis of the preferred risk profile.
 2. A Variant Investment Tender Price which based on the same preferred risk profile but includes the impact of the proposed investments on income, expenditure and, ultimately, the management fee.

- 5.2 **Recommendation: That the facility investment options identified through the feasibility work are tested during the tender process through a variant bid.**

6. Risk Allocation

Maintenance Risk

- 6.1.1 Establishing the risk share on maintenance for the new contract is a key consideration for the Councils. Under the existing BBC contract, SLM and the Council share responsibility for the maintenance, repair and replacement of assets. SLM are responsible for the day-to-day, internal maintenance requirements and the Council are responsible for the building fabric and structure and the replacement of certain, clearly identified larger assets. Under the current RDC contract with Fusion, the operator is responsible for full repair and maintenance of the facilities including the lifecycle replacement of equipment and assets.
- 6.1.2 Operators will generally accept full maintenance responsibility (assuming there is an up-to-date and comprehensive condition survey included within the tender documents) but prefer a shared approach, particularly where the age and condition of facilities creates additional risk.
- 6.1.3 A shared approach is normally along the lines of a typical landlord and tenant agreement where the operator is responsible for day-to-day maintenance, servicing and repair of buildings and equipment and the replacement of certain, identified assets. The Council takes on the responsibility for maintenance of building fabric and structure and the replacement of certain, clearly identified larger assets e.g. boilers, pool filters or other major mechanical and electrical installations, either on an item-by-item basis or over a certain cost threshold.

Utilities Risk

- 6.1.4 The Council has options in the way utilities are managed within the new contract and who takes the risk on consumption and tariff increases. Pre-Covid, full responsibility and risk on consumption and tariffs was typically passed to the operator (as per the existing contract) but the current energy crisis and uncertainty regarding the future market makes this option much less attractive to operators and some may choose not to bid.
- 6.1.5 New leisure contracts typically include a shared approach to risk where the operator takes the risk on consumption and the Council bears the risk of tariff increases in accordance with an agreed mechanism within the contract. Such arrangements inevitably create some uncertainty for Councils in terms of medium-term financial planning and require allocated resource to negotiate and agree annual settlements in accordance with the agreed benchmarking mechanism. However, within the context of the current market it is likely to be the only acceptable approach.

6.1.6 A full risk transfer on utilities would require operators to price the risk and uncertainty on tariffs into their bids and could result in an unattractive bid for the Council. It may also mean that the Council pays more than it should in the event energy prices reduce to previous levels during the term of the contract.

6.2 **Recommendation: That the new contract is structured on the basis of a shared approach to maintenance, repair and lifecycle replacement, defined on an item-by-item basis.**

6.3 **Recommendation: That the new contract is structured on the basis of a shared risk/benefit between the operator and the Councils on future tariff increases/decreases through the development of an appropriate mechanism in the contract.**

7. Variant Bids

7.1.1 The Council is able to request variant bids through the Initial Tender phase to test different scenarios e.g. investment proposals.

7.1.2 The information provided within the Initial Tenders, including any variant bids, can be reviewed by the Council and discussed further with bidders during the negotiation stage in order that the Council can establish a clear position on how revised tenders are to be structured.

7.1.3 It should be noted that whilst variant bids can be an effective way of testing different scenarios through a procurement, the Council should recognise the additional work required of bidders in developing multiple bid submissions within the context of a busy market. Overcomplicating the submission requirements increases resource requirements both for bidders and the Council, so the inclusion of variant bids should be balanced by these considerations.

7.2 **Recommendation: That variant bids on the facility investment options and a longer 15-year initial contract term are requested at the Initial Tender stage.**

8. Procurement Procedure

8.1.1 There are a number of procurement routes and procedures that are used for leisure contracts. The Council wishes to ensure the procedure allows for suitable flexibility without being overly onerous for bidders and ensuring that it can be delivered within the required timeframes.

8.1.2 The Council has undertaken an assessment of the different procurement routes and identified that Competitive Procedure with Negotiation (CPN) is to be used because the Council will have:

- A clearly defined scope of services
- A clearly defined services specification, with some aspects for negotiation
- Potential investment options which will need to be tested through the procurement process and may require operator input through negotiation
- Flexibility to test different scenarios through variant bids before specifying its final requirements
- Sufficient time within the programme.

- 8.2 **Recommendation: That the Councils use Competitive Procedure with Negotiation (CPN) for the tender process.**

9. Evaluation Criteria

9.1 Price/Quality Weighting

9.1.1 The Councils are looking to commission the best management operator it can afford. As such, the intention is to set an affordability threshold in the procurement to ensure all compliant bids received will meet a minimum level of management fee.

9.1.2 Method statements used to assess quality will be aligned to the Council's strategic objectives for the contract. Themes for method statement questions include:

- Approach to delivering increased levels of participation, across Brentwood and Rochford District as a whole and within target groups
- Approach to delivering high quality services
- Approach to designing and delivering innovative and inclusive programmes
- Approach to designing and delivering a diverse events programme which includes an increased number of higher profile events
- Approach to designing and delivering neighbourhood-based / outreach services (subject to a decision on scope of services)
- Approach to contributing to the Councils' net zero carbon ambitions
- Approach to investment into facilities (including delivery of the Councils' identified investments if applicable and any investments proposed by the operator)
- Approach to delivering wider social value
- Use of innovation to develop services and increase awareness through effective marketing
- Approach to staffing, training and development
- Approach to managing of assets – maintenance, environmental
- Approach to quality management and customer care
- Approach to monitoring KPIs and measuring impact of services.

9.2 **Recommendation: That the weighting for the evaluation of bid submissions is 40% Price and 60% Quality.**

9.3 **Recommendation: That the method statement themes are developed into specific method statement questions for bidders to respond to during the tender process.**

10. Profit / Surplus Share

10.1.1 It is recommended that a profit share arrangement be included as part of the contract to enable the Councils to share in any excess profits generated through the contract, over and above those identified in the operator's tender response.

10.1.2 This can protect the Council from the risk of “missing out” in the event that a contract over-performs, particularly where there is significant investment into facilities. A profit share mechanism can be applied to excess profits in each contract year or over an average of a number of years. It can also be based on all profit above the operator’s bid, or in excess of a set threshold (e.g. 10%).

10.2 Recommendation: That the new contract includes a profit share mechanism based on a 50/50 split.



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