

CABINET

**COUNCILLOR SOPHIE PORTER
HEALTHY COMMUNITIES & ACTIVE LIVES
PORTFOLIO HOLDER**

10 FEBRUARY 2026

KEY DECISION? YES

REPORT NO. OS2603

LEISURE OPERATOR CONTRACT AWARD

SUMMARY AND RECOMMENDATIONS:

This report sets out the outcome of the Leisure Operator Procurement and seeks approvals to award the operator contract to run existing and proposed new leisure facilities within the borough.

Cabinet is recommended to:

- 1) Note the successful completion of the procurement process to secure a leisure operator for the Council's existing leisure facilities and the proposed new centre in Farnborough;
- 2) Note the implications of the risks highlighted in sections 3.1 to 3.4;
- 3) Agree to award the leisure operating contract to the highest scoring bidder as outlined in Exempt Appendix 1, subject to the completion of the standstill period. The contract is on the basis of an agency agreement and covers a 15-year term, (with an option to extend by 5 years), plus an additional interim phase whilst the new centre is under development;
- 4) Approve the adjustment to budgets from 2026/27 to reflect the proposed contract requirements as detailed in Exempt Appendix 2;
- 5) Approve a feasibility study revenue budget for the Alpine Snowsports Centre of £30,000 to be funded from the remaining balance of the 2025/26 ski centre revenue budget as referenced in section 3.6; and,
- 6) Delegate authority to the Executive Head of Operations in consultation with the Corporate Manager – Legal Services to finalise and enter into the leisure operating contract with the successful bidder.

1. BACKGROUND

- 1.1. In February 2025, Cabinet approved a revised approach for the delivery of a Leisure Centre in Farnborough town centre along with the procurement approach to appoint an operator to run the existing Aldershot Pools & Lido facilities within the borough and the proposed new centre (Report REG2501).

- 1.2. The Ministry of Housing, Communities & Local Government (MHCLG) gave full approval in April 2025 for the Council to deliver the revised scheme utilising the remaining £18.5m Levelling Up grant. At that time the Cabinet noted that the scheme would also require some borrowing that would be funded by operator income payments.
- 1.3. The proposed facility includes two swimming pools, (a 25m 6-lane main pool and a 10m x 8m learner pool), 100+ station fitness suite including provision of specialist equipment for people who are less mobile or active, studio space including a dedicated spin studio, a café and active play for children. A new surface car park and play park will also be delivered as part of the scheme.
- 1.4. The new Farnborough Leisure Centre will play a significant role in reducing health inequalities - both physical and mental - and increasing levels of physical activity. These are key priorities identified in the Council Delivery Plan 2026-27. The Council is therefore keen to appoint an operating partner who shares this vision and is committed to operating the facility to optimise participative opportunities and benefits for the local community.

2. OPERATOR PROCUREMENT PROCESS

- 2.1. The Procurement Act 2023 commenced on 24 February 2025 and had significant implications for public sector procurement. This revised public procurement system introduced the new 'Competitive Flexible Procedure' which enables contracting authorities to design project specific procurement processes to align with project objectives and market norms. The Council's leisure operator procurement process made use of this competitive flexible procedure.
- 2.2. On 11 February 2025, Cabinet agreed the overall operator procurement and appointment approach, and commencement of the process. Decisions to amend the procurement documentation as required throughout the process was delegated to the Executive Head of Operations in consultation with the Portfolio Holder for Healthy Communities & Active Lives, and financial implications in consultation with the Executive Head of Finance (S151).
- 2.3. The operating contract will be split into two phases. The *Interim Phase* will commence on 1 April 2026, at which point the operator will be required to commence delivery of services at the existing Aldershot facilities including the Alpine Snowsports Centre and the Aldershot Indoor Pools and Lido. The *Main Phase* of the contract will then commence at the point the new Farnborough facility is opened. An optional extension period of 5 years is available at the end of the 15-year main phase of the contract.
- 2.4. The operator procurement process started in March 2025 with Preliminary Market Engagement. Following an advert inviting interest from the leisure market, a one-hour MS Teams briefing, with subsequent individual one-to-one meetings took place, providing a chance for operators to ask questions and provide informal feedback on a number of issues. Operator feedback on the

proposed facilities mix was generally positive, and a number of suggestions were subsequently adopted in updated designs. Views on other issues, including car parking, contract term, profiling and the agency model also proved useful and were used to inform the next stage of the process. The importance of a significant operator fee payable to the Council as an outcome of the procurement was made clear at the outset.

Procurement Timetable

2.5. A summary of the operator procurement timetable is set out below:

ACTIVITY	DATE
Issue Tender Notice & Key Procurement Documents	24 June 2025
Bidders Day - Briefing to all and Aldershot site visit	7/8 July 2025
1 to 1 Clarification meetings (Teams)	21 - 25 July 2025
Clarification deadline	8 August 2025
1st Stage Tender Return Deadline	28 August 2025
Evaluation	1 - 19 Sep 2025
Moderation Meetings	22 - 26 Sept 2025
Down selection	29 Sept 2025
Negotiation meetings	6 - 17 Oct 2025
Agree best & final offers parameters	20 Oct – 7 Nov 2025
Invitation to submit 2 nd stage best & final tenders	24 Nov 2025
2nd Stage Best & Final Tender Return Deadline	19 Dec 2025, 12pm
Evaluation	19 Dec 25 – 12 Jan 26
Moderation meetings	12 - 13 Jan 2026
Cabinet Meeting - Approval	10 Feb 2026
Notification of award decision & issue of assessment summaries	11 Feb 2026
Contract Award Notice issued on FTS	11 Feb 2026
Statutory 8 working day standstill period	12 - 23 Feb 2026
Contract award	24 Feb 2026
Commencement of contract interim phase	1 April 2026
Commencement of contract main phase	Late 2027 / Early 2028

Stage One – Invitation to Tender

2.6. The procurement process was formally started with the issuing of an 'Invitation to Tender' (ITT) via the Proactis procurement portal on 24 June 2025.

2.7. Operators were invited to bid for the contract on two separate lots. Lot 1 was based on a standard leisure operating model, with the operator acting as 'principal' and the Council as client. Lot 2 was based on an 'agency model', with the operator acting as an agent on behalf of the Council (principal). Bidders were invited to submit proposals for either, or both, lots. The tender evaluation had a

60% quality and 40% price weighting, demonstrating that whilst the financial performance of the contract is a high priority for the Council, the delivery of a high-quality service is of key importance.

- 2.8. The Lot 2 'agency model' of delivery offers the council a net beneficial financial position through more efficient VAT treatment with no change to service for customers. Leisure centres operated by local authorities are classified by HMRC as a non-business activity. The Agency model means the operator acts on behalf of the Council, therefore the gross income and expenditure is accounted for through the Council's accounts. This allows the Council to reclaim VAT under Section 33 of the VAT Act 1994 where operators in a principal arrangement are not permitted and would charge the council an amount for 'irrecoverable VAT'.
- 2.9. There are other key structural changes of an Agency model to the delivery of services including; clarity in branding of the site as a Council leisure centre, clarity to the customer that the operator is acting on behalf of the Council with the Council maintaining responsibility for income and expenditure incurred being appropriately accounted for as Council costs and income.
- 2.10. Following the issue of the Invitation to Tender (ITT), operators were invited to the Aldershot Pools & Lido for a general site visit (07/07/2025) followed by a technical visit (11/07/2025). A Bidders Briefing presentation was provided on MS Teams (08/07/2025) which provided further guidance and, in addition to the comprehensive Clarification Log, separate one-to-one 90-minute clarification meetings were held with operators (w/c 21/07/2025).
- 2.11. In the weeks between issue of the ITT and the tender return deadline, a small number of interested operators withdrew from the process, largely due to the busy nature of the leisure procurement market and inability to resource multiple tender submissions concurrently.
- 2.12. The first part of the tender submission invited suppliers to complete a Procurement Specific Questionnaire. Responses were assessed on a pass / fail basis and covered legal standing, financial standing, insurance, health & safety and relevant experience. This process ensured that only operators with sufficient experience and scale were taken forward.
- 2.13. Following receipt of the full submissions on 28 August, a comprehensive evaluation and moderation process was undertaken of the quality and pricing elements of the detailed tenders by experienced, independent and specialist members of the Project Team, including Council Officers and Consultants.

Stage 2 - Best & Final Offers

- 2.14. Rather than instigate an award to a preferred bidder at this stage, the Council decided to enter a final period of negotiation and subsequently invite best and final offers from the highest scoring bidders.

2.15. In person, full day negotiation meetings were held at the Princes Hall theatre with a number of representatives from each of the operators. The agenda was split into three primary topic areas: legal, finance and operations. A one-hour Teams briefing attended by all prospective suppliers followed in order to summarise the key outcomes of the sessions.

2.16. Following conclusion of the negotiation meetings, an Executive Summary document was issued to all operators clarifying a number of key points prior to the Stage 2 process, including:

- *Capital Funding* - suppliers would be asked to bid on the basis that no Council capital funding will be available for any proposed developments at the Aldershot site or Farnborough FFE, assuming it would need to be fully financed by operators.
- *Aldershot Development Proposals* – suppliers had suggested various proposals for development of the Aldershot Pools & Lido site during the Stage 1 process, which had been discussed in further detail during the negotiation meetings. The Stage 2 Best & Final Offer process required operators to include the impact of any qualifying capital improvements within their financial submission where the inclusion of such proposals represents a legally binding *commitment* for delivery.
- *Financial Parameters* - a stated pass / fail cap value on the fee payable by the Council to the operator during the interim phase and years 1 & 2 of the main phase of the contract would be included.
- *Aldershot Ski Centre* – confirmation that the Alpine Snowsports Centre would now be included in the operating contract, for the interim phase only, with the Council retaining the commercial risk and responsibility for the maintenance of the facility, (as per the interim phase arrangements for the Aldershot Pools & Lido). During this period, the Council will commission a Feasibility Study to establish the long-term viability of the ski centre. An additional revenue budget of £30,000 to undertake this feasibility study is sought. At the end of the interim phase, the operator and Council will seek to agree the terms on which the ski centre may be incorporated into the main phase contract. In the absence of such an agreement, the Council will have the option to terminate the ski centre arrangement.
- *Tennis Courts* - administration of the Council's tennis courts at Manor Park, Rectory Road and Cove Green using the ClubSpark system would be included in both phases of the contract.
- *FLC Design Changes* - revised design changes at the new Farnborough Leisure centre, including the addition of a second studio, were confirmed.

2.17. An invitation to submit 2nd Stage Best & Final Tenders was published on 24 November. Following various operator site visits to both the Pools & Lido and the

Ski Centre facilities, as well as a subsequent clarification process, returns were received on Friday 19 December.

- 2.18. A comprehensive evaluation and moderation process was once again undertaken by the same team of Council Officers and Consultants, from both a quality and financial perspective.

Contract Award

- 2.19. Exempt Appendix 1 provides an overview of the Best & Final Tender submissions, and confirms the identity of the preferred bidder, with a recommendation to approve the award of the leisure operating contract included in this paper.
- 2.20. Following contract award, the Interim Phase of the Contract is due to commence on 1 April 2026, at which point the operator will commence delivery of services at the Aldershot Pools & Lido and Aldershot Ski Centre.
- 2.21. The Council's target date for opening of the new Farnborough facility is currently Winter 2027 (subject to approval), at which point the contract will enter its Main Phase. The duration of the Interim Phase is dependent upon when the new facility is ready to be opened but is likely to be around two years. The Main Phase of the contract will run for an initial 15-year period, with an option to extend by a further 5 years.
- 2.22. The existing contract with Places Leisure for the operation of the Aldershot Pools & Lido ends on 31 March 2027. The temporary arrangement for Places Leisure to operate the Aldershot Ski Centre ends in May 2026. A break-clause is included in both agreements if required.

Alternative Options

- 2.23. There is an option not to award a leisure operating contract until delivery of the new Farnborough Leisure Centre has been confirmed. However, clarity of operator is required as soon as possible in order to confirm arrangements for the mobilisation of the lido for season opening on 23 May 2026.
- 2.24. In addition, with Stage 1 submissions originally received back in August last year, there has already been a significant gap between receipt and contract award. Following this lengthy period, operators are expecting the publication of an award this month.

Consultation

- 2.25. Potential operators were consulted on the proposed facilities mix of the new Farnborough Leisure Centre, and a number of design changes were made accordingly.

2.26. Both the Leader of the Council and the Portfolio Holder for Healthy Communities & Active Lives have been consulted throughout the procurement process.

3. IMPLICATIONS

Risks

- 3.1. The key risk associated with the operator procurement is the dependency on delivery of the wider build project. A clause is included in the operating contract to confirm that, should the Farnborough Leisure Centre project not progress, the appointed contractor will continue to operate the Aldershot Pools & Lido site until the long-stop date, (December 2029).
- 3.2. The proposed agency model of delivery offers the Council a net beneficial financial position through more efficient VAT treatment. There is a risk that this agency model becomes unviable due either to a no-fault event such as an HMRC decision, or as a result of a defect in the agency position proposed by the contractor. External advice sought has considered the risk of HMRC changing their position low. The preferred operator has however confirmed a financial 'fallback' position should this situation occur to ensure the Council has financial surety.
- 3.3. Utilities & Facilities Management (FM) benchmarking schedules are included in the contract with the risk that, following the first 12 months of operation, the Council may incur an additional financial obligation to support the operator with increases to these costs beyond reasonable inflationary increases.
- 3.4. Please see exempt Appendix 3 for details of an additional confidential risk.

Legal Implications

- 3.5. The procurement process that has been undertaken was legally compliant and sound. The resulting contract will continue to be subject to internal and external scrutiny to finalisation, as would be usual for a contract of this value. Save for the confidential risk per the appendices, all legal risks have been appropriately mitigated.

Financial Implications

- 3.6. Current leisure budgets for the 2025/26 financial year are as follows:

	Base Budget 2025/26 £	Approved Budget 2025/26 £
Aldershot Pools & Lido	330,000	330,000
Alpine Ski Centre	(51,070)	48,930
Total budget	278,930	378,930

The approved budget shows the £100,000 growth in leisure budgets following Alpine Ski Centre operational arrangement changes as approved by Cabinet 3 June 2025. As of January 2026, the full £100,000 is not forecast to be required, in 2025/26, therefore recommendation is to fund the required feasibility study for the Alpine Snowsports centre from remaining balances.

- 3.7. A comparison of the budget requirements of the proposed contract to current budgets are detailed fully in Appendix 2.
- 3.8. The procurement process has been undertaken with a view to achieving value for money to the council, with tenders being assessed on a price / quality weighting of 40% / 60% and fee caps set to minimise unaffordable fee levels in early years.
- 3.9. The Stage 2 Best & Final Offer process included a pass / fail cap on the maximum fee payment that operators may require from the Council:
 - *Interim Phase*: Cap on maximum Interim payment from RBC to operator of £288k pa (for Aldershot Pools & Lido, ski centre, plus administration of tennis courts).
 - *Main Phase*: Maximum cap on year one fee payable by the Council to the operator of £300k. Minimum fee payable by the operator to the Council of £120k for years 2 to 5.
- 3.10. The Stage 2 process also required operators to include for the impact of qualifying capital improvements to the existing Aldershot Pools & Lido facility within their financial submission where the inclusion of such proposals represents a legally binding commitment for delivery.
- 3.11. Financial due diligence of the proposed supplier has been undertaken to ensure financial security of the provider to ensure confidence in delivery for the Council. As with all major Council contracts, the supplier's financial position will be regularly reviewed throughout the contract to ensure risks to the Council of contract failure are minimised.
- 3.12. The Council has taken advice from both external legal support and its tax consultants regarding utilisation of the Agency model to ensure that it is compliant and will be transacted appropriately.
- 3.13. Affordability of the new Farnborough Leisure Centre scheme, which will be proposed under a separate report, is intrinsically linked to the outcome of the leisure operator procurement, as a significant operator fee is required to fund the build.

Resource Implications

- 3.14. An additional internal resource is anticipated to be required to manage the new leisure operating contract on the proposed addition of the Farnborough Leisure Centre site to the contract. Implications of this resource will be included in the Farnborough Leisure Centre build report.
- 3.15. There is likely to be a small resource implication for the Council's Finance Team associated with the additional transactions required for the appropriate VAT accounting of the new agency contract. This is currently planned to be achieved within current resources, utilising current contracted tax consultant support where needed.

Equalities Impact Implications

- 3.16. The equality requirements of the new operating contract and specification are far more detailed and robust than those outlined in the previous leisure operating contract and specification dating back to 2002.
- 3.17. An Equality Impact Assessment screening tool has been completed, (Appendix 4), and the appointment of the operator will have a positive impact on a number of groups with protected characteristics, as well as disadvantaged groups.

4. CONCLUSION

- 4.1. The delivery of a new leisure centre for Farnborough is a priority for residents and the Council's Cabinet.
- 4.2. A robust procurement process has been undertaken to secure a leisure operator for both the new Farnborough Centre, and the existing facilities in Aldershot.
- 4.3. The award of a 15-year contract to the preferred bidder will provide the Council with both a significant fee from the supplier across the term of the agreement, as well as the appointment of a national leisure operator with a reputation for, and commitment to, quality service.

LIST OF CONFIDENTIAL APPENDICES

Appendix 1 – Overview of the Best & Final Tender Submissions scoring
Appendix 2 – Budget requirements of proposed contract
Appendix 3 – Exempt Risk Submission
Appendix 4 – Exempt Equalities Impact Assessment Screening Tool

BACKGROUND DOCUMENTS:

Cabinet Report REG2501
Cabinet Report REG2503
Cabinet Report OS2510

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