

Date 16 DECEMBER 2019

Report No. OS1915

KEY DECISION: YES

**PROCUREMENT OF A NEW LEISURE OPERATING CONTRACT AND FUTURE
LEISURE PROVISION**

SUMMARY:

This report sets out the proposed approach for the procurement of a new leisure operating services contract covering the Farnborough Leisure Centre and Aldershot Indoor Pools and Lido complex. The approach takes into account procurement advice and a strategic needs analysis, developed following public engagement and consultation with local user groups.

The report also sets out a proposed facility mix for a new leisure provision in Farnborough, which would be undertaken alongside the procurement process and linked to the regeneration of the Civic Quarter.

RECOMMENDATIONS:

1. That the new contract be procured using a process of competitive dialogue as described in this report and the Head of Operational Services in consultation with the Operational Services Portfolio Holder be authorised to carry out the process fully to include making amendments to and finalising the documentation for use throughout the procurement process.
2. The procurement documentation and conditions of contract set out in appendices 3 to 6 be agreed as the basis for the procurement.
3. That a total procurement project budget of £50,000 be included in the revised revenue estimates for 2019/20 with flexibility to carry forward any unspent balance into 2020/21.
4. In order to bring forward the next stage of a new leisure centre in Farnborough as agreed in the Corporate plan, the facility mix as set out in paragraph 4.9 be agreed, and that £100,000 of the Civic Quarter Farnborough Development Capital Budget, approved by Council in February 2019 is set aside for the feasibility and design work for the Leisure Centre.
5. The Cabinet authorises officers to work with the indoor bowling club to look at alternative options for indoor bowls and that a budget of £10,000 be agreed to support initial feasibility work.

1. INTRODUCTION

- 1.1 The purpose of this report is to set out the proposed approach for the procurement of a new leisure operating services contract covering the Farnborough Leisure Centre and Aldershot Indoor Pools and Lido complex.
- 1.2 The report also sets out a proposed facility mix for a new leisure provision in Farnborough, which would be undertaken alongside the procurement process and linked to the regeneration of the Civic Quarter.

2. BACKGROUND

Current Operating Contract

- 2.1 The Council's Leisure facilities at Farnborough Leisure Centre and Aldershot Pools and Lido are currently run by Places Leisure Ltd. The contract has been in place since 2002 and is currently subject to a 2-year extension to 31st March 2021.
- 2.2 The current contract is structured such that the Council pays the operator to run its facilities. This arrangement was the norm with operational management contracts for leisure facilities let at the time but is no longer in-line with trends in the market. The procurement of a new contract will derive significant financial benefits to the Council, along with reduced operational risks.
- 2.3 Developing a new contract also presents an opportunity to refocus the service and align it with the Council's vision to 2030, specifically contributing to the strong communities and healthy lifestyles themes. This can be achieved through placing greater emphasis on health and wellbeing (both physical and mental) and a requirement for the operator to increase participation, particularly from disadvantaged and under-represented groups.

3. EXISTING FACILITIES

Farnborough Leisure Centre

- 3.1 The existing centre was constructed over 40 years ago in two phases, with the wet side being constructed several years before the dry side. It is a multi-purpose leisure centre operated via a leisure management contract with Places Leisure Ltd.
- 3.2 The facilities include: 33.3m main pool, 12.8m teaching pool, 100+ station fitness gym, cafeteria, 3 squash courts, 10 lane ten pin bowling, sauna and steam rooms, creche, soft play area, 10 court sports hall, 6 rink indoor bowls green, meeting rooms, treatment rooms office accommodation, multi activity rooms and dance studios. The leisure centre attracts over 600,000 visits a year, with over 200,000 visits for health and fitness and 150,000 visits for swimming.
- 3.3 In February 2019 the Council appointed GT3 Architects and Strategic Leisure Limited to look at options for the future provision of Farnborough leisure Centre

as part of its wider regeneration of the Farnborough Civic Quarter. Their conclusions of the facility were that the leisure centre was in a central town location with good transport links, that it was fully accessible and DDA compliant, competitively priced with a large range of activities. However, it was noted that the external appearance was dated, the car park refund system was cumbersome, the main pool was non-compliant for competitive swimming, the flat roofs require on-going maintenance, the plant was becoming obsolete and non-maintainable with poor energy efficiency with increasing maintenance liabilities, and that the existing building has few merits of a refurbishment scheme.

Aldershot Pools and Lido

- 3.4 The Aldershot Indoor Pools were built in 1975 and the Lido built in 1930 and are both operated via a leisure management contact with Places Leisure Ltd. The facilities include: 25m indoor main pool, 12.5m indoor teaching pool, 50+ station fitness gym, traditional male and female changing rooms, vending machines (indoor only), large outdoor unheated lido (1.5 million gallons), 9 acres of parkland with picnic tables and benches, 3 water flumes, diving area, paddling pool, large play sandpit, franchised café and catering outlets, male and female changing rooms, 2 x 3G floodlit football pitches, 180 space car park with overflow parking in the adjacent Aldershot Park. The Indoor Pools attracts around 120,000 swimming visits, 85,000 gym visits and 95,000 spectator visits annually. The Lido attendances vary due to the seasonal nature of the facility with attendances between 31,000 and 39,000 in the last 3 years.
- 3.5 The consultants made the following comments about the facilities: The Pools and Lido are situated in an out of town location in 9 acres of mature parkland. The facilities had reasonable transport links and were clearly signposted with a large car park. The facilities are DDA compliant and the indoor pools have a 'community' feel. The swimming and gym activities are competitively priced. However, they noted that the facilities were tired and dated and in need of significant refurbishment to bring them up to current standards and customer expectations. The original filtration, pipework and circulation systems to the Lido are over 80 years old and are a serious maintenance liability together with the chlorine gas disinfection system and other plant and roof liabilities would require over £1.5 million investment. The unusual kidney shaped main lido pool requires a minimum of 12 lifeguards to be on duty which keeps the operating costs high as these staff members need to be specifically 'lido' trained for its safe operation. Their view regarding investment in the facilities was seen as a challenge due to the short (80 days) summer season, and that an integrated indoor and outdoor facility would be the best compromise.

4. FUTURE LEISURE PROVISION

Farnborough

- 4.1 In February 2019 GT3 Architects along with Strategic Leisure limited were appointed to look at options for the future provision of Farnborough Leisure Centre as part of the wider development of the Civic Quarter.

- 4.2 A detailed Headline Needs Analysis (appendix 1) was carried out which provides a strategic assessment of the existing Farnborough Leisure Centre facilities and sets out the consultation feedback from the public, existing operator, clubs and users.
- 4.3 The report looks at the demographic of the Borough and takes into account key statistics in relation to the future provision of sport and physical activity. The key factors to reflect in terms of future provision include:
- A growing population;
 - An ageing population;
 - A population that is growing in ethnic diversity;
 - A population with key groups of inactive people;
 - The need to provide facilities and activities which encourage and support increased levels of physical activity, and behaviour change in the inactive; and
 - A specific need to provide activities for those with life limiting disabilities, males, young people aged 16-34 and those in middle social grades.
- 4.4 Section 4 of the Headline Needs Analysis focuses on analysis of existing provision across the Borough and highlights areas where change may be desirable. It suggests a move to a 25m 8 lane pool from the current 33m 6 lane pool and proposes that a sports hall should be of a more flexible design. If squash courts are retained they should be of a multi-use design. Consideration of the current 6 rink indoor bowls hall identified that the space was underutilised for around a third of the available time and due to its specialist flooring is difficult to use for alternative activities. Whilst the club has 350 members, visits have decreased annually from around 16,400 in 2014/15 to 14,200 in 2018/19.
- 4.5 Section 5 of the Headline Needs Analysis makes recommendations for the facilities mix for the future provision in a new Leisure Centre as set out below:

NEW FARNBOROUGH LEISURE CENTRE	
•	1 x 25m x 8 lane main pool.
•	Spectator provision – limited permanent poolside seating, with the ability to bring in seating for competitive events as needed.
•	Village change conforming to safeguarding guidance; fully inclusive; Changing Places room. Village style changing, plus group changing rooms.
•	1 x 20m x 4 lane intermediate pool with a movable floor.
•	Fitness Suite - 150-170 stations.
•	1 x 6 or 8 court main sports hall.
•	2 x multi- purpose sprung floor studios
•	1 x permanent spinning studio
•	2 x squash courts with moving wall so can be converted into multi-purpose activity space
•	1 x 10 pin bowling alley.
•	1 x Café with 60 + covers.
•	Clip and climb adjacent to café/soft play
•	Beauty/physio rooms etc if on rental income basis.
•	Retail space of 50 sq. m.
•	Vending machine space
•	1 x sauna and steam suite.

- 4.6 In relation to indoor bowls the Headline Needs Analysis identified that as an alternative, indoor bowling could be provided as a stand-alone facility. The build cost of a stand-alone facility or repurposing an existing building or facility would have a lower build cost than the estimated £2.7m cost of incorporating in a new facility (1000sqm of space based on a build cost of £2,700/sqm).
- 4.7 On this basis a facilities mix for the new leisure facility is being recommended based on the table in 4.5 above including a 25m pool, flexible sports hall and squash facilities but excluding indoor bowls.
- 4.8 Recognising that there are 350 indoor bowling club members it is important that alternative options are considered over the coming months. The club have been advised that the Council wishes to work with them to identify options. It is proposed that a budget of £10,000 be agreed for initial feasibility work.

Emerging Brief

- 4.9 The facilities mix as outlined in 4.5 has been taken by GT3 Architects and used, together with stakeholder consultation, to inform an emerging brief which incorporates the proposed facility mix but with 150 station fitness suite, an 8 court sports hall and 250 spectator seats overlooking the main pool hall to facilitate competition.

Design Brief

- 4.10 Based on the emerging brief GT3 architects created a design brief which includes an options analysis effectively setting out 3 options for the centre:
- A. Refurbishment option – Refurbishment of the existing centre, leaving activities and facilities as they currently are but up-grading to a higher standard.
 - B. Refurbishment and extension – Refurbishment of existing centre, plus extending the building to ensure the building meets the emerging brief requirements
 - C. New build – Demolition of existing centre (phased approach) to be replaced with new facilities.
- 4.11 The table below summarises the cost implications of refurbishment vs new build:

Option's analysis carried out by GT3 Architects	
Cost of refurbishment of Farnborough Leisure Centre (existing facility mix)	£30 Million
Cost of refurbishment of Farnborough Leisure Centre (emerging brief)	£40 Million
Cost of new build of Farnborough Leisure Centre	£18-24 Million

Civic Quarter Considerations

- 4.12 The Council is working through the Rushmoor Development Partnership (RDP) to develop a new masterplan for the Civic Quarter which will include where on the site the new leisure centre will be located. The RDP has appointed LDA Architects to undertake this work and the current master planning programme has a target planning application submission of spring/summer 2020. There will be a range of public engagement opportunities before the planning application is submitted.

- 4.13 It is important to note that the options analysis set out at 4.11 is based on the assumption that a new centre would be on the existing site. Further feasibility and design work are required including the LDA master planning work for the Civic Quarter, further site considerations and options for funding of a new centre. Further detailed reports will be presented to cabinet in due course
- 4.14 Taking into account the above there is a requirement for further feasibility work as set out in paragraph 9.7 of this report.

Aldershot

- 4.15 Although this report focusses on a new provision for Farnborough, the council accepts that a long-term sustainable solution is required for Aldershot Indoor Pools and Lido. It is proposed that throughout the dialogue stages of the operator procurement process that bidders generate ideas/give thought to provide a future facility at Aldershot that meets the needs and aspirations of the local community, whilst also providing a facility that is affordable in the long term.

5. TASK AND FINISH GROUP

- 5.1 A cross-party Task and Finish group was established as part of the Projects and Policy Advisory Board to guide the operator procurement, particularly through making recommendations on key issues contained within the services specification and the approach to procurement. Additionally, the group will be asked to consider key topics that are raised as part of dialogue with bidders, form part of the dialogue process in the final stage of the procurement and monitor the evaluation and award process.
- 5.2 To date the Task and Finish group have met on three occasions, two of which have been in the current municipal year. At the meeting held on the 23 July Members were introduced to the project and appraised of progress to date and at a meeting on 15 August, took part in a workshop to develop key sections of the services specification.
- 5.3 Members of the Task and Finish Group were keen to ensure that the services specification supported the 4 key priority areas of the Council plan (People, Place, Better Services and Partnership) and their comments have helped to form the services specification and contract for this procurement.

6. PROCUREMENT ROUTE &TIMETABLE

Procurement Route

- 6.1 This procurement is above EU threshold procurement values of £181,302 and therefore subject to The Public Contracts Regulations 2015.
- 6.2 Following feedback from pre-procurement engagement, the Council proposes to utilise the newly revised Sport England Toolkit in order to guide the procurement in terms of best practice and identifying key principles. This

documentation has been developed by Sport England in partnership with key stakeholders and has been used successfully in numerous tenders since its development.

6.3 Although leisure services are classed as “light touch” in terms of procurement procedure, the main elements of EU and the Council procurement rules still apply. The Council believes in order to get the best outcome from this opportunity is to carry out a process akin to Competitive Dialogue, the procedure used for the Environmental Services Contract that was awarded in 2017. This will enable tenderers to develop and discuss proposals with the Council as well as having input into the design of Farnborough Leisure Centre.

6.4 The main elements of the process are:

- Pre-qualification
- Bidders Day
- Dialogue phase
- Tenderers’ outline submissions (Stage 1)
- Evaluation, moderation and shortlisting (to 2 highest scoring bidders)
- Refinement of documents
- Further Dialogue with shortlisted bidders
- Tenderers’ final submissions (Stage 2)
- Evaluation and moderation
- Contract award and implementation

6.5 There will be two stages of procurement:

- a. Outline solutions (Stage 1)
- b. Final tender- (Stage 2) (to include the 2 highest scoring bidders from the outline stage)

6.6 The proposed Timetable is set out at Appendix 2.

6.7 Consideration has been given to who will form the evaluation team and what their role will be. Time has been allocated to ensure enough resource is available at the critical times. The team will include specialist expertise in the key areas associated with service delivery.

6.8 Members of the Task and Finish group will be invited to attend a session with bidders at the final tender stage and will also be invited to join the evaluation teams in their moderation sessions.

7. CONDITIONS OF CONTRACT

7.1 The Leisure Operating Contract has been drafted using the recently revised Sport England toolkit and is tailored to be specific to the Council’s requirements. The contract enables a greater transfer of risk to the Operator. A copy of the draft contract can be found at Appendix 3.

- 7.2 The new operator will take over the existing facility on 1st April 2021. The contract has been drafted to provide a robust change mechanism in the event that a new centre is built which can be found at schedule 22 of the contract.
- 7.3 Competitive Dialogue is a dynamic process and bidders will expect to negotiate changes to specific clauses within the contract documentation. It is therefore vitally important that the council can react to these quickly and agree a negotiated position. It is therefore proposed that the delegation is given so that any changes to the conditions of contract be agreed with the Portfolio Holder during the course of the procurement process.

Services Specification

- 7.4 The Services Specification forms a key part of the Leisure Operating Contract and sets out the required standards that the operator shall meet during the contract period.
- 7.5 As with the Contract this has been drafted using the Sport England toolkit along with input from the Head of Operational Services, Service Manager, Service leads and the Task and Finish Group. A copy of the draft specification can be found at Appendix 4.

8. TENDER EVALUATION MODEL

- 8.1 The tender evaluation model forms a significant part of the procurement process. The Council usually evaluates tenders using a standard weighting of 60% to price and 40% to quality. The quality aspect is the tender response to the 14 method statements (Appendix 5) which will also inform the dialogue agenda.
- 8.2 The dialogue process enables the Council to vary these weighting's if indicated at the start of the process. The evaluation model proposes to evaluate stage 1 submissions with a weighting of 60% quality and 40% price. The number of bidders will then be reduced to 2 and their final tenders (stage 2) will be evaluated as 50% quality and 50% price.
- 8.3 The evaluation model can be found at Appendix 6.

9. IMPLICATIONS

Risks

- 9.1 The existing leisure operating contract expires on the 31st March 2021 and has been in place since 2002. If we do not proceed with the procurement we could be subject to legal challenge.
- 9.2 If we are not clear on the facilities mix of a potential new facility in Farnborough, we may not attract the best value bids from potential operators.

Legal Implications

- 9.3 As the existing contract has been extended to the end of its term the service must be re-procured. This report sets out the methodology and basis for doing so. As the Contract value is over the EU threshold procurement values of £181,302 it is therefore subject to The Public Contracts Regulations 2015.

Financial Implications

Leisure Operator Procurement

- 9.4 The Council currently pays the existing Operator to run its facilities. An analysis carried out by Strategic Leisure as part of a Pre-Procurement Advice report outlines that by re-procuring the contract based on the existing facilities and moving from the current position where the Council makes a payment to our operator, to one where the Council receives a payment, the Council could look to make significant savings. Based on this year's figures potential savings of circa £600,000 per annum could be realised with a further £300,000 per annum for a new Leisure Centre in Farnborough.
- 9.5 The report, which can be found at exempt appendix 7, also includes a headline options appraisal to evidence which future operational delivery model the Council should employ – specifically an assessment of the in-house option compared to the outsourced. The report found that an in-house option is likely to be the most expensive form of future service delivery and would be unable to achieve any savings without rationalising the service by closing some facilities.
- 9.6 To support the procurement process an additional budget of £50,000 is required to cover legal and specialist consultancy.

Farnborough Leisure Centre

- 9.7 On the basis that the proposed facility mix for a new leisure provision in Farnborough be agreed, it is requested that a budget of £100,000 be agreed to enable further feasibility and design work for a new Leisure Centre in Farnborough. Further detailed cabinet reports will be presented in due course.

Equalities Impact Implications

- 9.8 None.

10. CONCLUSIONS

- 10.1 The leisure offer in the area is of key strategic importance and one that is pivotal to the successful delivery of the Council's Vision to 2030, encouraging strong communities and healthy lifestyles. A new Leisure Centre in a redeveloped Civic Quarter in Farnborough will become a key destination, providing a wide range of leisure and sports activities for many years to come.

- 10.2 The Council's existing leisure operating contract is in need of modernisation and re-procurement to ensure the needs of local residents are being appropriately addressed. The proposed new contract will focus on encouraging greater levels of participation overall and opportunities to specifically target groups with lower levels of activity to engage with leisure activities. Initial work indicates that the new contract should also make a significant contribution towards improving the Council's financial position by moving from a contract where the Council pays the operator to one where the operator pays the Council to run the facilities.
- 10.3 Cabinet are asked to consider the details set out in the report and approve the recommendations as outlined on page 1 of this report to allow the progression of the design work for the new leisure centre and the commencement of the procurement of a new operator.
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BACKGROUND DOCUMENTS:

a) Farnborough Family Entertainment & Leisure Centre – Briefing document
28.05.2019

APPENDICES (all held on Council's website [here](#), except Appendix 7 which is confidential and only available to authorised personnel):

Appendix 1 - Headline needs analysis

Appendix 2 - High level project plan

Appendix 3 - Conditions of contract

Appendix 4 - Specification and appendices

Appendix 5 - Method statements

Appendix 6 - Tender evaluation methodology

Appendix 7 - Pre procurement report (confidential)