

Project Name	Leisure Management Contract Procurement
Project Manager	Louise Randall
Project Board Members	<p>Cllr Steve Jarvis - NH Executive Member for Environment & Leisure</p> <p>Cllr Ian Albert, NH Executive Member for Finance and IT</p> <p>Sarah Kingsley - NH Director of Place</p> <p>Ian Couper - NH Service Director Resources</p> <p>Jeanette Thompson - NH Service Director Legal & Community</p> <p>Louise Randall - NH Place Leisure Manager</p>

Project Overview

The leisure contracts with Stevenage Leisure Ltd expired on 31 March 2024. The contract includes North Herts Leisure Centre, Hitchin Swimming and Fitness Centre, Royston Leisure Centre, Letchworth Lido and the sports centre at Fearnhill School.

The aim of the project was to ensure the procurement of the new leisure management contract was managed effectively.

On 14 March 2023, Cabinet gave authority to proceed with a Competitive Procedure with Negotiation (CPN) procurement for the Leisure Management contract. CPN was used for the procurement because it provided a clearly defined scope of services and services specification with some aspects for negotiation. It also gave us the flexibility to test different scenarios through variant bids before receiving final tenders. It is also the procurement method used for the majority of leisure contracts.

The procurement project plan was over a 12 month period and resource was allocated to ensure the short timeline was achieved. The Council appointed The Sport, Leisure and Culture Consultancy (SLC) to provide support throughout the procurement process, as project coordinators and legal advisors Trowers and Hamlin were also appointed.

We appointed SLC to provide both pre-procurement advice and support for the whole procurement process. Utilising their professional expertise and market knowledge ensured we went out to tender with a high-quality specification and followed a robust procurement process.

On 12 December 2023, Cabinet agreed to award the Leisure and Active Communities Contract to Sports and Leisure Management Ltd (Everyone Active).

The mobilisation of the new contract commenced on 2 January 2024, following a 10-day standstill period. Everyone Active devised and implemented a robust mobilisation plan across all the sites, including transfer of customer data, TUPE of staff and communication with staff, users of the facilities and wider public.

Project Requirement

To ensure the Council achieved its goals for the procurement, a Procurement strategy was developed which identified the Strategic Objectives of the new contract. These objectives were then addressed through the development of the specification of the contract. The objectives were:

1. High quality, inclusive and diverse services
2. Financially sustainable services that drive income and deliver operational efficiencies through an innovative and dynamic approach
3. Increased participation in sport and physical activity by all sections of the community
4. Increased participation in sport and physical activity by less active groups or those experiencing wider health inequalities
5. Extended reach and impact of the services through delivery of activities beyond the core facilities
6. Increased contribution to the Council's Climate Change Strategy through effective environmental management of the facilities investment in energy saving technology
7. Increased awareness through inclusive and innovative marketing and promotion
8. A skilled workforce that is able to meet the needs of people with more complex physical and mental health issues
9. Wider social value through strong partnership working with the Council, its partners and third sector providers
10. Robust asset management ensuring well-maintained and fully functioning facilities.

The project business case report set out the business needs covering the following elements.

Reasons for the Project	Cost Implications
Data Protection	Alternatives Considered
Budget	Legal
Resource	Political interest in project
Project size	

The project scope included:

- Using the Competitive Procedure with Negotiation (CPN) procedure for the procurement of the Leisure Management contract.
- Agreeing a 10-year contract with an option to extend by up to 5 years.
- Combining the existing three leisure contracts into a single contract, using the nationally recognised Sport England contract format, in order to secure economies of scale and to attract the most interest from the operator market.
- Continuing with the principle of the existing contractual shared risk approach to utilities and maintenance.

Project Products

The procurement process consisted of the following stages; Contract Notice and Standard Selection Questionnaire (SSQ), Invitation to Submit Initial Tender and negotiation, Invitation to Submit Revised Tender, followed by Contract Award.

A timeline for the procurement of the contract arrangement is shown below.

Workstream	Date
Procurement Strategy	mid March 23
Develop Tender Documents	mid April 23
Contract Notice	w/c 24 April 23
Selection Questionnaire Submissions	w/c 22 May 23
Initial Tender Submissions	17 August 23
Negotiation with Bidders	19 September 23/ 21 September 23
Revised Tender Submissions	8 November 23
Evaluation	w/c 9 November 23
Contract Award	12 December 23
Mobilisation	Jan-March 23
Contract Start	1 April 24

The procurement was carried out according to the timeframes above. Nine issues were recorded on the issue log. All recorded issues were dealt with and closed.

Benefits Achieved

The project offered an opportunity to review the existing specification and provide a clear policy position on the Council's approach to the future delivery of sports, leisure, physical activity and wellbeing across the district.

As a result of the review, a Procurement Strategy was developed to ensure the procurement delivered on the Council's objectives. In parallel, a new Active North Herts Strategy was developed which provided a strategic framework for the new Active Communities element of the contract.

The strategic outcomes from the strategy helped inform the procurement objectives and specification for the contract.

Following the comprehensive tender process, a new 10-year Leisure and Active Communities Contract, which commenced on 1 April 2024, was awarded. As well as delivering a robust new contract with a broader remit to help tackle local health inequalities, it secured the business case for c. £1M of Council investment for a gym extension at Royston Leisure Centre and has resulted in a significantly improved financial position. Despite broadening the scope of services to include a new Active Communities Programme, the new arrangements improved the management fee by c. £6M over the term of the 10-year contract.

Active Communities

The new operator, Everyone Active will work in partnership with the Council to deliver an outward facing Community Activity and Wellbeing service to support the Council's overarching Active North Herts Strategy, through the provision of a programme of activities which enable communities to become more active. Some of these include Walking Netball, Tennis and Football, Menopause sessions, Women's Club, Quiet swims, Beginners Pickleball and Outdoor fitness classes.

Royston Leisure Centre gym extension

The gym extension is due to be completed in November 2025. Within their bid submission, Everyone Active propose to utilise the existing first floor group exercise studios, the adjacent corridor, the existing gym to create a large open-plan gym with capacity for 88 stations. The fitness-studio created on the ground floor will be utilised for group exercise classes and the sports hall used for larger sized group classes.

Within their bid, Everyone Active have committed to Capital investments at the facilities in year 1 and 2 of the contract. Year 1 Capital expenditure circa £1,067,995 - Project including a gym refurbishment at NHLC, café refurbishments at Hitchin, North Herts Leisure Centre and Letchworth Lido. Year 2 Capital expenditure circa £1,193,386 – Projects include gym refurbishments at Hitchin and Royston and new reception café at Royston.

In addition, across the three sites, Everyone Active will replace cardiovascular equipment no later than year 6 of the contract and resistance equipment no later than year 8 of the contract. This will ensure customer satisfaction is maintained throughout the 10 year contract.

Finance

During the procurement bidders were asked to provide their bids on the following basis: a flat amount for years 1-2 (with a minimum payment to the Council of £400k), a flat amount for years 3-4 (with a minimum payment to the Council of £800k) and a flat amount for year 5 onwards. That structure was on the basis that it allowed the bidders to provide a better total overall compared to a flat amount across all 10 years, and the impact of the Royston fitness extension. The bid from Everyone Active was as follows;

Period	Current net income budget (subject to inflation) £000	Bid price- payment to Council (subject to inflation at CPI) £000	Budget saving (shortfall where negative) £000
Years 1-2	864	700	(164)
Years 3-4	864	1,350	486
Year 5 onwards	864	1,819	955

The above savings will be reduced by the revenue cost of capital associated with the Royston fitness extension. That will be an annual revenue cost of around £75k to account for the interest cost and Minimum Revenue Provision associated with capital expenditure.

The above savings are reduced by the impact of pay inflation to be applied from the start of the contract. This inflation was higher than expected due to the significant increase in the National Living Wage from April 2024. In the first year (and likely in later years) the position will be improved by energy prices, where we asked bidders to base their bids on prudent energy rates.

Project Team Review

The project team worked cooperatively and effectively throughout the life of the project to deliver the desired outcomes and benefits. The team included officers with specialisms in legal, procurement, finance and leisure, to ensure all aspects of the procurement were effectively managed. The Leisure and Active Communities Manager was appointed as project manager to ensure the Council’s project management guidance and procedures were followed and managed effectively. External support was provided by consultants SLC, who contributed significantly to the success of the project.

A project board was established for consultation on the project, which included senior officers and the (then) Executive Member for Environment and Leisure, Cllr Steve Jarvis and Cllr Ian Albert, Executive Member for Finance and IT. The Service Director – Place was Project Executive.

Project Plan Review

Project Costs

A project a budget of £120k was secured for the consultant and legal costs. During the project lifetime there were additional costs of approx. £17k incurred, that relate to location plans of leisure facilities, legal support for leases and legal advice on Real Living Wage, site location plans and feasibility studies at Royston Leisure Centre.

Resources

The procurement took significant officer resource, which had to be managed in addition to day-to-day workloads. In particular, the leisure and active communities team were responsible for project management and project support, which put significant pressure on normal workloads. In addition, the Service Director – Place was heavily involved throughout the procurement as Project Executive.

The Council appointed The Sport, Leisure and Culture Consultancy (SLC) to provide support throughout the procurement process. SLC are specialist advisors to local authorities on leisure procurement and lead author of Sport England’s Leisure Services Delivery Guidance.

Timescales

Following approval to proceed with a CPN procurement the following timeline commenced. During the Invitation to Submit Revised Tenders stage, minimal changes were required to the specification and therefore the contract award date was brought forward to allow bidders more time for mobilisation.

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Risks

The Project Manager identified, captured and monitored risks relating to project within the risk log for the duration of the project. The risk log was presented and reviewed with Project Board members.

The following table sets out the projects most significant risks and mitigations. The mitigating actions were implemented, reducing the risks potential likelihood and impact.

Risk	Mitigation
1. In-house staff capacity to deliver procurement on time.	Allocated internal resources and external consultant support.
2. Limited flexibility in project plan leaves little room for manoeuvre if key milestone dates are not met.	Project plan/ project board in place.
3. Poor quality specification will impact contract delivery.	Sport England Leisure management Template.
4. Lack of responses to tender.	Combine leisure contracts into one single contracts.
5. Low value bids from respondents.	Identified in the Medium-Term Financial Strategy.
6. Awarding contract to new supplier could lead to mobilisation/operational issues at handover.	Maintain good relationship with SLL.

Lessons Learned

What would we do again?

- Hire specialist consultants and lawyers - the use of specialist expertise ensured the council had a robust procurement strategy and services specification. The consultants guided the project team throughout the whole process, using their expert market knowledge and insight to ensure the council achieved the best outcomes. The use of specialist lawyers with expert knowledge of leisure procurements, also ensured the legal process ran smoothly and were in the council's best interests.
- Use Competitive Procedure with Negotiation or a similar procurement methodology, to enable some negotiation with bidders on the specification. This also allowed us to consider a range of variant bids at ISIT (Invitation to Submit Initial Tenders) stage, which could then be reviewed and agreed whether to include in the final specification or not.

What would we do differently?

The timeline for completing the procurement and mobilising the next contract was short and normally a procurement of this nature would have commenced anywhere between 6-12 months earlier. However, due to the impacts of the Covid-19 pandemic on our leisure contracts / supplier and the wider leisure market, we delayed the decision on whether to extend the existing contract with SLL for a year, until the market was in clear recovery. We also took external advice on timing to go to the market from SLC.

Included within the Procurement Strategy SLC developed a "Shadow Bid" which estimated the base value of the contract, using a combination of pre and post-Covid accounts and forecasts provided by SLL alongside SLC's knowledge of the wider leisure operating market. The projected management fee was very negative and did not reflect the bids received.

Communications Plan

The project communication plan was presented at Project Board meetings. Everyone Active produced a communication plan which included communications to existing members and wider communications regarding takeover of the contract. A range of communications were issued prior to the start of the contract, and Everyone Active also had staff on site prior to handover to encourage people to download their app, however it could be argued that the level of concern from centre users, particularly regarding the new booking system was underestimated.

However, issues were swiftly addressed, FAQs produced, social media comments replied to and a councillor briefing was also held to listen to their concerns. This proactive approach ensured teething issues were quickly resolved and when the outdoor pool season commenced, communications on the new system were issued well in advance and drip fed right up to the opening. This approach meant much less customer contact at opening.

End Project Report

We have faced some challenges around the implementation of the new booking system and changes in operational policy, however these have subsided as users get more familiar with the new systems.

Other Considerations

The contract start date was 1 April 2024, which was in the Easter holidays, which also meant that the handover took place during a very busy time. Easter 2024 does coincide with Easter holidays and therefore consideration to be given to a short extension at the end of the contract to avoid this period.

End Project Report

Project Closure Confirmation

Date	
Name of Project Executive	
Signature	
Additional Comments	