

Active Communities & Leisure Services Procurement Strategy

Bristol City Council

December 2021



1. Introduction

- 1.1 Bristol City Council (BCC) is currently preparing for the procurement of a management operator for its Active Communities Leisure Services including leisure facilities - the new contract should commence in April 2023.
- 1.2 A crucial building block is the Procurement Strategy which sets out the key drivers for the procurement in terms of risk profile, finances and affordability, investment and performance requirements.
- 1.3 The Procurement Strategy helps inform the procurement documentation and eventual procurement outcome.
- 1.4 It has been informed by soft market testing which gauges the perceptions of the market and identifies what will maximise the attractiveness of BCC's opportunity to potential bidders.
- 1.5 The Procurement Strategy also incorporates leisure investment proposals which have been subject to public consultation.
- 1.6 The Procurement Strategy has been developed following consultation with relevant officers from procurement, legal, property, finance, energy, and public health and, to a degree, has been informed by the results of the market engagement exercise which took place in May 2021.
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2. Has the council and its partners developed a strategic approach for its Sport and Physical Activity Services?

- 2.1 A Sport and Physical Activity Strategy for Bristol 2020 – 2025
- 2.1.1 The Council has developed a Sport and Physical Activity Strategy which sets out objectives under themes for Active People, Active Partnerships, Active Environments, and Active Places.
- 2.1.2 It is proposed that the following objectives, taken from the Sport and Physical Activity Strategy, are strategic objectives for the new leisure contract.

Active People

1. To increase physical activity levels amongst all adults but particularly those living in the least active, and deprived areas of the city.
 2. To increase physical activity levels amongst all children but particularly those young people living in the least active, and deprived areas of the city.
 3. To embed a robust talent development system to ensure children reach their full potential in sport and excel through the talent pathway.
 4. To increase physical activity levels amongst groups of people where inactivity inequalities are the greatest e.g., those with a disability, older people, women, and girls
 5. To advocate a greater use of innovation and technology in interventions that are designed to increase physical activity
 6. To develop new and sustainable local community programmes to get more people to adopt healthier lifestyles
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7. To facilitate long-term behaviour-change by improved marketing of existing physical activity and sport opportunities, and a better understanding of the benefits.

Active Environments

8. To provide safe places to engage in physical activity.

Priority Groups and Localities

2.1.3 The Strategy has identified the following priority groups which will be embedded in the leisure contract to ensure that the selected operator is focused on reducing inactivity levels in the council's priority groups.:

- ▶ Children and Young People
- ▶ Disabled Adults
- ▶ Older Adults
- ▶ Women and Girls
- ▶ Those living in the most deprived areas of the City.

2.1.4 In addition to the above it is proposed that there is a strategic objective in relation to climate emergency:

9. To maximise the contribution of the leisure centres towards addressing climate emergency.

3. Scope of Services

3.1 The council has considered the scope of services to be included in the procurement. This takes into account the broader strategic context and has also been informed by market engagement exercise to ensure that the market has the experience and capability in relation to the proposed mix of services.

3.2 Leisure Centres

3.2.1 It is recommended that the following core facilities are to be included in the new leisure contract:

- ▶ Bristol South Swimming Pool
- ▶ Easton Leisure Centre
- ▶ Henbury Leisure Centre
- ▶ Horfield Leisure Centre
- ▶ St Pauls Community Sports Academy.

3.3 School Sites

3.3.1 The Council has four PFI school sites with leisure facilities currently managed by BAM Facilities Management under a contract to 2031. The leisure facilities are contractually available for community use Monday – Friday 6pm – 9pm during term time and 9am -9pm during school holidays. Weekend community use is 9am – 9pm all year round. The leisure facilities are at the Bedminster Down, Oasis Brightstowe, Orchard and Blaise schools.

- 3.3.2 Due to the existing PFI arrangements the school facilities will not be in scope for this new leisure contract, however the council is facilitating the procurement of the PFI school leisure facilities as a separate lot, but where any agreement to operate these would be between the operator as a sub-contractor and BAM FM.
- 3.3.3 The intention is to maximise the facility space across the city, addressing the underuse of the school facilities

3.4 Active Communities Outreach

- 3.4.1 Many residents do not use leisure centres and we wish to develop physical activity opportunities making use of local community assets.
- 3.4.2 Through the procurement we are seeking to address levels of physical inactivity and health inequality.
- 3.4.3 We will have an innovative Active Communities outreach function is introduced by the new operator. Its core function would be to work with communities and community facilities outside of the leisure centres to enable the development of local sport and physical programmes.
- 3.4.4 We will be seeking a provider who is outward looking, engaged in the local community, maximising the assets as an anchor organisation, leveraging existing resources to stimulate a local decrease in physical inactivity.

4. Contract Length

- 4.1 The market engagement exercise undertaken in May 2021 indicates that potential bidders are happy with either a 10 or 15-year minimum contract with possible extensions of 5 or 5 + 5 years.
- 4.2 Given the age of some of the assets, they are likely to be coming towards the end of their life in the next 20 years. From an operator perspective, 10-years provides for a contract worth investing in, without the council potentially being over committed to a long-term agreement.
- 4.3 The council may decide to further invest in leisure centres once the contract has been let and therefore needs a mechanism to re-negotiate the management fee based on this investment.
- 4.4 It is therefore proposed that a base 10-year contract is let with an option to extend by up to 5 plus 5 + 5 years. This will enable the council to negotiate with the appointed partner mid contract on any new investment based on extending the contract by 5 or even 10 years.
- 4.5 The minimum term and options to extend the contract will be determined through the procurement process.
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5. Procurement Procedure

- 5.1 **There are a number of procurement routes and procedures that are used for leisure services. The council wishes to have a degree of flexibility without an overly onerous process.**
- 5.2 **The council has undertaken an assessment of the various approaches and propose Competitive Procedure with Negotiation (CPN) is the optimal route for BCC because the council will have:**
- ▶ Clearly defined service scope
 - ▶ Clearly defined services specification, with some aspects for negotiation
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- ▶ Medium level investment proposals as part of the procurement, which may require operator input
- ▶ Some flexibility and dialogue to refine Initial Tenders before submitting Final Tenders.

5.2.1 Over the last few years CPN has been the most commonly used procedure for leisure procurements in England.

6. Key Risk Allocation

6.1 Utilities Risk

6.1.1 The Council has a range of options in the way utilities are managed within the contract and who takes on the risk on both consumption and tariffs. In some cases, full responsibility and risk is passed to the operator.

6.1.2 Some leisure contracts include a shared approach to risk where the operator takes the risk on consumption and the Council bears the risk of tariff increases. Some also include a 'cap and collar' approach to energy increases and decreases. However, these inevitably create uncertainty for Councils in terms of medium-term financial planning and requires resource to negotiate and agree annual settlements in accordance with any benchmarking agreement.

6.1.3 The market engagement feedback is mixed with some operators being comfortable with taking on the full responsibility for utilities, others wanting a benchmarking clause on utility tariffs. Ideally the Council would want financial certainty for the leisure contract.

6.1.4 Transferring full responsibility for utilities to the operator will encourage investment in energy saving technology and contribute towards addressing the climate change emergency. A new contract is the ideal time to include such investment to enable the operator to obtain maximum benefit and return on the investment, and the operator would be financially incentivised to do so.

The Council's preference is that full risk for utilities is transferred to the operator to incentivise the operator to adopt new energy saving technology and minimise the consumption of utilities. However, a shared risk approach will also be tested through the competitive process.

6.2 Maintenance Risk

6.2.1 Work through the procurement process and the market engagement exercise points towards an agreement about the balance of risk regarding maintenance.

6.2.2 The current arrangements include a balance of risk profile, and we anticipate arriving at a similar position in the new contract.

6.2.3 The final division of responsibilities will be clearly set out in the new contract.

6.3 Change in Law

6.3.1 Leisure contracts typically include provisions which pass the risk of general changes in law (which could impact costs / revenue) to the operator, and the risk in respect of specific changes in law, which affect leisure services, to the Council, subject to the operator mitigating adverse impacts and the parties agreeing appropriate changes.

6.3.2 The contract will contain a clause regarding any relevant change in law

6.3.3 Given the current circumstances in which we are still living through a global pandemic, it is proposed that a specific clause is included to address any interruption to operation due to a pandemic.

7. Affordability and Investment

7.1 Base Shadow Bid

7.1.1 A baseline shadow bid - Figure 1 (Appendix A) and subsequent financial analysis has informed the procurement strategy.

7.2 Investment

7.2.1 The intention of the proposed Leisure Investment Strategy is to make the contract attractive to the market, increase social value and improve the revenue return.

7.2.2 Figure 2 (Appendix A) shows the impact on affordability of the preferred investment solutions following consultation between September and November 2021. This is based on a dry side investment at Easton Leisure Centre for which the Council could provide the capital and invite proposals based on specified requirements and guidance.

7.2.3 The indicative proposals used to inform the investment shadow bid included a redesign within the current building footprint, with changes affecting the sports hall, gym, and reception areas only. There would be no increase in the size of the current pool area. This option would provide a new and larger health and fitness suite, including a dedicated female-only area, and a reduction from a four-court sports hall to three courts. The ground floor would allow for additional flexible space for community use.

7.2.4 Operators will also be encouraged to propose additional investment, to further improve the portfolio in terms of service offer and financial performance. Only the investment in Easton has been included in the investment shadow bid, as other investment would be led by the operator's proposals and subject to the availability of capital.

7.2.5 The modelling is based on the first 10-year term of the contract and assumes that the building works at Easton will not take place over the first year of the contract (this is subject to change).

7.3 Executing Investment Solutions

7.3.1 It is proposed that the investment solution works should be carried out by the successful leisure operator. This will import expertise from the sector and economies of scale as leisure operators have well-developed supply chains for carrying out building works and supply of equipment. This will also transfer the project management and delivery risk to the operator.

7.3.2 The bidders will provide a method statement on how they propose to deliver the investment projects as part of the quality evaluation.

8. Evaluation Criteria

8.1 Price Quality Weighting

8.1.1 The Council is looking to commission the best possible management operator for the city.

8.1.2 The minimum affordability threshold will be set at zero.

8.2 Evaluation of Finance

- 8.2.1 Bids will be evaluated against specific criteria including price, quality, and social value. Quality criteria will include investment capability, ability to raise additional finance, potential profit share, added value, sustainability, equality of the service and the potential to contribute to Bristol's strategic outcomes.

8.3 Evaluation of Quality

- 8.3.1 Method statements used to assess quality will be aligned to the Council's strategic objectives for the contract.

8.4 Evaluation of Social Value

- 8.4.1 This will be based on the council's Social Value Principles.

9. Profit Share

- 9.1 **A profit share agreement will be negotiated taking account of risks in investment held by the bidder.**
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10. Appendices

10.1 Appendix A (please refer to exempt Appendix I)

10.1.1 Figure 1 Baseline Shadow Bid

10.1.2 Figure 2 Affordability Including Preferred Investment Options