

Decision Maker:	EXECUTIVE
Date:	For Pre-Decision Scrutiny by the Renewal, Recreation and Housing Policy Development and Scrutiny Committee on Monday 7 August 2023
Decision Type:	Non-Urgent Executive Non-Key
Title:	PROCUREMENT STRATEGY FOR LEISURE CENTRE MAJOR WORKS PROGRAMME
Contact Officer:	Alicia Munday, Head of Regeneration E-mail: Alicia.munday@bromley.gov.uk Max Graham, Regeneration Project Manager E-mail: Max.Graham@bromley.gov.uk
Chief Officer:	Director of Housing, Planning, Property and Regeneration
Ward:	Orpington; West Wickham;

1. Reason for decision/report and options

- 1.1 In advance of the primary decision in October to proceed with major works at the Walnuts and West Wickham leisure centres, and subject to that decision, Executive are asked to approve the in-principle procurement strategy for the procurement of a suitable contractor for the delivery of the project, including project management and works. This will allow preliminary procurement arrangements to commence which will support a reduced timetable for the overall delivery of the project and the potential for a formal Contract Award decision to be sought within the planned October 2023 report.
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2. **RECOMMENDATION(S)**

The Renewal, Recreation and Housing PDS is asked to note the contents of this report and make any comments available to the Council's Executive.

The Council's Executive is asked to:

- 2.1 **Note the intent to seek formal decision by October 2023 on proceeding with the Walnuts and West Wickham Leisure Centre project, including scope of works and agreed budget.**
- 2.2 **Subject to 2.1, approve the in-principle procurement strategy set out in Option 1 (paragraph 3.10) for the delivery of the Walnuts and West Wickham Leisure Centre project by utilising a compliant framework to appoint a suitable delivery partner to deliver the project, including required works.**
- 2.3 **Note that any formal award of contract arising from the in-principle procurement strategy will still be subject to Executive decision and will not proceed except alongside, or subsequent to, the primary decision to proceed with the project as per 2.1.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Transformation Policy

1. Policy Status: Existing Policy Further Details: Operational Property Review
 2. Making Bromley Even Better Priority:
 - (1) For children and young people to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
 - (2) For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
 - (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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Financial

1. Cost of proposal: No Cost, Further Details: No cost at this stage, full costs of work proposals will be provided to Executive later this year.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre:
 4. Total current budget for this head: £
 5. Source of funding:
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Personnel

1. Number of staff (*current and additional*): 1
 2. If from existing staff resources, number of staff hours: 36
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Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Not Applicable
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Procurement

1. Summary of Procurement Implications: All options considered in this report are compliant.
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Property

1. Summary of Property Implications: The MyTime lease can be broken for the major works planned.
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: N/A
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Impact on the Local Economy

1. Summary of Local Economy Implications: 3.10.3 notes opportunities to maximise the benefit to the local economy.
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Impact on Health and Wellbeing

1. Summary of Health and Wellbeing Implications: N/A
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Customer Impact

1. Estimated number of users or customers (*current and projected*): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: Awaiting Comments

3. COMMENTARY

- 3.1. As part of the Council's Operational Property Review led by the Property division, condition surveys were undertaken on all the Council's properties. This review included leisure facilities, and both the Walnuts and West Wickham facilities were identified as requiring significant investment. A provisional sum of £27.1m (plus £500k feasibility funding) was therefore identified for these works (Executive Report Nov 2022 and March 2023). Given the scale of works required, and likely total replacement of some significant parts of the facilities, this is a major works programme which not only secures the facilities for the future, but also increases the potential of the facilities to secure a rental yield.
- 3.2. In 2018, leisure centre facilities in Bromley were moved to 40 year leases with Mytime Active. The facilities were grouped into two lots, with Group 1 facilities on a Full Repair and Insurance Lease (FRIL) with Mytime Active. The council retained maintenance responsibility for the Group 2 properties which include the West Wickham and Walnuts leisure centre sites. It is envisaged that the undertaking of these significant works will result in the West Wickham and Walnuts facilities being moved into Group 1, where the operator is responsible for a FRIL lease as well as a commercial rent paid to the Council on the properties.
- 3.3. On 29th March 2023 the Executive agreed that officers could progress the OPR workstreams and proceed to procurement via the NHS SBS framework. Whilst this is the approach for much of the OPR programme, which is being led by the Property team, there are a number of workstreams being managed by the Culture and Regeneration division, including the Walnuts and West Wickham Leisure Centres. This report focusses on the recommended approach for the major works of the Walnuts and West Wickham leisure centres.
- 3.4. The Walnuts (built 1970) and West Wickham (built 1967) Leisure Centres are amongst the boroughs most used facilities, averaging in excess of c.20,000 visits per month. An Indoor Sports Facilities Needs Assessment for Bromley discovered that across the borough, the supply of swimming pools available to the community has the ability meet current demand from residents. Both the Walnuts and West Wickham leisure centres are important to meeting this demand, however, the age and quality of the pools at these centres make them less attractive to users and they have corresponding lower utilisation levels. Should both centres be improved, utilisation would increase and unmet demand from across the borough would decrease.
- 3.5. Given the above information, the Council appointed a specialist leisure services partner (Alliance Leisure Services) via a compliant framework to undertake feasibility works that consider the following:
 - Engagement with residents and stakeholders to discuss their priorities
 - Facilities modelling – predominantly looking at what facilities are available across the Borough and nearby to ensure we are meeting recommended levels of service
 - Surveys – to review the current state and what is possible on the sites and within the fabric of the existing buildings
 - Sustainability – operational modelling that ensures any investment becomes sustainable and generates a future income
- 3.6. To date, a wide range of feasibility works have already been completed in order to investigate the works required and potential of each centre. These works include, amongst others, Structural, MEP, Pool Filtration and Topological surveys and assessments. The specialist delivery partner also facilitated a wide-reaching public engagement exercise gathering over 6000 responses which, alongside demographic, opportunity and competition analysis, has since informed initial facility mix proposals. The results of the work undertaken to date, alongside the

works currently being carried out, will be presented to Executive in October 2023. This report will seek decision on the scope of the works and the associated budget.

3.7. The below table provides an indicative timeline for the delivery of this project:

Detailed Surveys of Buildings undertaking	April-July 2023
Initial site plans drafted	July 2023
Initial costs appraisal within budget of what can be delivered	July 2023
Executive Approval for works and next phase of works, including appointment of delivery partner for works, alongside agreement of operator model and likely rental yield for redeveloped centres	October 2023
Serve Notice to MyTime Active on the first leisure centre to undergo works	October 2023
Draft details plans	October -November 2023
Submit Planning Application and Building regs compliance	December 2023
Tender of Operator	October-January 2023
Works to commence on first site	Late 2024
Works to be completed on first site	Summer 2026
Works to commence on second site	Autumn 2026
Works to be completed on second site	Summer 2028

3.8. Although this early feasibility work is not yet complete, given that both leisure facilities are at risk of imminent closure given the current condition of the buildings, officers would like to secure the procurement strategy for the anticipated works in order to add pace to the programme and secure works as quickly as possible following the completion of the feasibility study and the Executive decision on proceeding with the works. This report sets out the recommended procurement strategy for the delivery partner and works elements of the leisure centre major works programme.

3.9. The feasibility study is expected to be completed in September and reported to Executive in October 2023. This will provide a detailed breakdown of what works are needed and what works can be completed within the budget allocated as part of the OPR. The report will also set out recommendations for the future operator model of the facilities. The following options relate solely to the delivery partner and works element of the programme. It should be noted that all procurement options are subject to Executive decision on proceeding with the project in October 2023.

OPTIONS APPRAISAL

- 3.10. **Option 1** – Subject to Executive Approval of the main works programme in October 2023, appoint a delivery partner under a Development Agreement via the UK Leisure Framework. The UK Leisure Framework is a compliant single supplier framework created by Denbighshire County Council. As such, it is a compliant route to procurement and has been used by other Councils for similar leisure service projects. The single supplier available through the framework is Alliance Leisure Limited who are already familiar with the project and the Council as they are undertaking the feasibility works. They will act as the delivery partner, responsible for delivery of the overall project, in partnership with the Council, including contracting for the principal works contractor and holding the contract with them. Procurement via this route will allow the Council to benefit from the skills, expertise and extensive network that Alliance Leisure have in the leisure industry which is one of the key features of the framework. The delivery partner would be responsible for contracting the principle works contractor, any additional subcontractors and day to day management of the build works, minimising the risk to the Council. The delivery partner will work with the Council to ensure that all key project requirements are met within budget. A significant advantage of this approach is that the delivery partner has confirmed they will commence the preliminary procurement of the principle works contractor immediately and at their risk, working in partnership with Council officers. The approach to the procurement is outlined in point 3.10.3 and would be carried out with zero risk or cost to the Council, pending Executive decision on proceeding with the project. Approval of this option would expedite the appointment of both the delivery partner and the principle works contractor and allow for progress to be made at pace subject to Executive approval of the main works programme later this year. Should this option be agreed, formal award of contract will also be sought from Executive as part of the October 2023 report.
- 3.10.1. It should be noted that even though Alliance Leisure, via the UK Leisure Framework, has been used to source the feasibility works for this project, there is no requirement for the Council to use the framework for this next stage. The UK Leisure Framework is recommended due to being set up specifically for projects of this type with the single supplier available through the framework, Alliance Leisure, having the required expertise and experience in leisure centre delivery. Alliance Leisure have significant experience of delivering refurbished, redeveloped and new leisure centres for local authorities and have worked with many contracting authorities as a compliant route to procurement. This includes over 220 leisure developments since their founding, including the following schemes on behalf of contracting authorities:
- White Oak Leisure Centre, Sevenoaks District Council - £20m, new build
 - Ramsgate Leisure Centre, Thanet District Council - £4.2m, redevelopment
 - Monmouth Leisure Centre, Monmouthshire County Council - £7.4m, refurbishment
 - SC2 indoor water park, Denbighshire County Council - £17m, new build
 - Chard Leisure Centre, Somerset Council - £16m, new build
 - Duncan Edwards Leisure Centre, Dudley Borough Council - £18m, new build
 - Cheltenham Leisure Centre, Cheltenham Borough Council - £2.5m, refurbishment
 - Northallerton Leisure Centre, Hambleton District Council - £2.5m, refurb & extension
- 3.10.2. This route could allow the principal delivery partner and principal works contractors to be ready to appoint within two months, noting that award of contract for either the delivery partner or their sub-contractors would not be made until Executive decision on proceeding with the project has been confirmed. This would allow the project to proceed at pace with the delivery of these works subject to Executive approval to commence the project planned for October 2023.

- 3.10.3. The delivery partner has indicated the following approach for the appointment of works sub-contractors: pre-vetted works contractors via the UK Leisure Framework would be invited to bid for the works and conduct site visits. The competition would involve the submission of multiple quality questions alongside a pricing schedule. The questions would examine, amongst other things, their leisure experience, methodology and social value. Bidders would be asked to make their best endeavours to hire local subcontractors where possible and engage with the local skills and employment programmes developed by the Council. These would be evaluated as part of the social value question which, alongside other questions, would be evaluated by both Council and delivery partner staff. Candidates would be invited to interviews with the Council to answer questions regarding their submission and a principal contractor would be chosen after that. A similar approach has been taken for principal works contractors for the following councils:
- Durham County Council, Bishop Auckland Leisure Centre
 - Shropshire Council, Whitchurch Leisure Centre
 - Northeast Derbyshire Council, Clay Cross Active
 - Wychavon District Council, Droitwich Leisure Centre
 - Somerset Council, Chard Leisure Centre
- 3.10.4. Given the complexity and risks involved in delivering leisure schemes and the current fluctuating and unpredictable market conditions, this option benefits from bringing a principal works contractor on board early in the design development process. This would enable close integration between the tender and technical specifications, input on buildability and specialist subcontractor packages early in the design stages and forms a strategic approach to life cycle maintenance throughout the entire project. In addition, this option reduces the risk of designs not aligning with the budget as the contractor will be able to provide costings advice while the designs are still being developed.
- 3.11. **Option 2** - this is as per Option 1 except that the delivery partner will be wholly responsible for conducting the appointment of principle works contractors without input from the Council on the selection of contractors. This may allow them to conduct their procurement route quicker, however there is no time saving in this as proceeding will still be dependent upon the overall Executive decision in October 2023. For this reason, together with reduced Officer input to the process, the option is not recommended.
- 3.12. **Option 3** – Subject to Executive Approval of the main works programme in October 2023, appoint a delivery partner only via the UK Leisure Framework. This would mean that Alliance Leisure Services would be the delivery partner of the Leisure Centre Major Works programme but not responsible for the principal works contractor. The Council would hold a contract with the delivery partner to support the delivery of the programme but would seek to procure and hold a contract directly with a principal works contractor separately. The benefit of this option is that the Council will run its own tender programme and will be in full control of the procurement for the works contractor. However this option would delay works to the programme, likely for several months or more, while a full procurement process is conducted by Council officers. It is not expected that this route to procurement will secure any improved value as opposed to option 1, given the experience of the delivery partner in procuring works of this type via the UK Leisure Framework.
- 3.12.1. The indicative timeline highlighted point 3.7 is not compatible with this option and would need to be re-worked. It is likely that this option would delay work to the first site until Spring 2025.
- 3.13. **Option 4** - Subject to Executive Approval of the main works programme in October 2023, the Council seeks to procure via an open tender (or similar) for both the delivery partner and the main works contractor, either together or separately, to support the delivery of the

programme of works. This option may broaden the scope of the market but will significantly delay the delivery timeline of the project by at least 6 to 12 months. It is not expected that this route to procurement will secure any improved value as opposed to option 1 as the UK Leisure Framework is specifically set up for projects of this type.

- 3.13.1. The indicative timeline highlighted point 3.7 is not compatible with this option and would need to be re-worked. It is likely that this option would delay work to the first site until at least Summer 2025.

PREFERRED OPTION

- 3.14. Option 1 – Option 1 is a compliant route that allows for progressing with this programme of works at pace while also considering value for money and retaining council control over key appointment decisions. Early commencement of the tender for a principal works contractor would be at zero cost and risk to the Council as the delivery partner will proceed at their own risk with any formal contract awards subject to Executive decision on proceeding with the project. Whilst Option 2 does not impact the timeline of delivery, the Council would not be involved in the appointment of key contractors, unlike option 1. Option 3 and 4 are not recommended as they result in significant delays to the programme which creates significant risk given the very poor state of the buildings.

4. FINANCIAL IMPLICATIONS

- 4.1 The total budget for the leisure centres element of the Operational Property Review is £27.6m, comprising £27.1m for works and £0.5m for feasibility studies.
- 4.2 The contents of this report have no direct financial implications. If the proposal is approved, the financial implications of the delivery model, dependent on outcomes of the exercise described, will be considered in the relevant future reports.

5. LEGAL IMPLICATIONS

- 5.1 As stated in the Procurement Implications below, this report requests Members to make a decision on how to proceed with procuring the works programme for the West Wickham and Walnuts Leisure Centres in principle with any specific decision on how to proceed to award any works contracts to be made later in the year by the Executive.
- 5.2 The Council has the legal power to hold, maintain and develop its landholdings and buildings in connection with its functions and general powers in the way described in this report in particular in connection with its leisure and recreation powers under section 19 of the Local Government Act (Miscellaneous Provisions) Act 1976.
- 5.3 This report conditionally recommends procuring the works programme required to the West Wickham and Walnuts Leisure Centres, via the UK Leisure Framework Agreement. As these public works contracts would be in excess of the financial thresholds of the Public Contracts Regulations 2015 (the Regulations), which is currently £5,336,937 excluding VAT, then those works must be procured in accord with the Regulations. The use of a compliant framework agreement to procure the works is permitted under Regulation 33.
- 5.4 Members will note that as this report does not recommend any particular works or services to be undertaken by Alliance Leisure then they will be working at their own risk in any preparatory work before this matter comes before the Executive for a decision later this year. Alliance Leisure's current contracts with the Council are to conduct the feasibility studies on both leisure centres.

6. PROCUREMENT IMPLICATIONS

- 6.1 This report seeks to set out a decision in principle for the procurement strategy in preparation for the main works programme for the Walnuts and West Wickham Leisure Centres only and no award of contract is being recommended at this time.
- 6.2 This report seeks an agreement, subject to Executive Approval of the main works programme later this year, for Alliance Leisure to undertake preparatory works through the UK Leisure Framework run by Denbighshire County Council, with various options set out as above.
- 6.3 All options as given above offer the Council a compliant route under the Public Contract Regulations, and the Preferred Option, as set out above is in compliance with the Regulations, the Council's Contract Procedure Rules and the UK Leisure Framework.
- 6.4 Executive are asked to note that any work undertaken by Alliance Leisure, as part of this decision in principle would be undertaken at their own risk, as set out above, this decision does not constitute an award of contract. The award of contract will be set out in a subsequent report that will be subject to Executive Approval of the main works programme later this year.
- 6.5 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

7. PROPERTY IMPLICATIONS

- 7.1 Both the Walnuts Leisure Centre and West Wickham are owned freehold by the Council but are occupied and operated by Mytime Active on commercial lease arrangements as follows:
- Walnuts Leisure Centre – leased to Mytime Active for a term of 25 years dated 4th April 2019, commencing 1st April 2019, on a 40 year term expiring 31st March 2059 at a peppercorn (nil) rent.
 - West Wickham Leisure Centre - leased to Mytime Active for a term of 25 years 4th April 2019, commencing 1st April 2019, on a 40 year term expiring 31st March 2059 at a peppercorn (nil) rent.
- 7.2 There is a landlord break clause within each lease allowing the Council to terminate the lease at any time by serving a break notice on the tenant at least 12 months prior to the break date. To effect this break clause the Landlord is required to have passed a formal resolution or resolutions to: 'Demolish or reconstruct the property or substantial part of it or the building of which the property or a substantial part of that building or to carry out substantial works of construction at the property or the building of which it forms part or to sell the property'
- 7.3 Regeneration colleagues leading on the proposed programme of works will need to instruct the Council's Estates Team on this matter and ensure that suitable notice is given to trigger the break clause to enable such works to take place with the benefit of vacant possession as it will not be possible to undertake the proposed works with the tenant in situ.
- 7.4 This report sets out an intention to then seek a future tenant to occupy and operate the leisure centres following completion of the works on a commercial basis including on FRI lease terms and paying a commercial rent. The Council's Estates Team will need to be instructed in this regard to appoint suitable advisors to secure a future tenant at the appropriate point in the future ensuring the Council meets its statutory obligations with regards to Section 123 of the

Local Government Act 1972 regarding best value which is relevant to all leases with a term of 7+ years.

8. IMPACT ON THE LOCAL ECONOMY

- 8.1 Procurement of large contracts such as this provide an opportunity to increase the development of dense local supply chains (including SMEs), to support local employment and to retain and circulate wealth in the local economy.
- 8.2 3.10.3 notes opportunities in this process to maximise this potential. Officers should work in partnership with the delivery provider to consider the inclusion of employment conditions, social value and environmental considerations in the decision-making process.

9. WARD COUNCILLOR VIEWS

Awaiting Comments

Non-Applicable Headings:	Impact on Vulnerable Adults and Children Transformation/Policy implications Personnel Implications Carbon Reduction/social value implications Impact on Health and Wellbeing Customer Impact
Background Documents: (Access via Contact Officer)	Report No. HPR2023/034