

Exploring specialist operator interest in the management and operation of leisure and sports facilities



Introduction

London Borough of Barking and Dagenham (LBBD) are seeking to engage with established leisure operators to gauge the level of market interest in potentially managing and operating the Council's leisure facilities, and to develop a better understanding of the financial and service benefits of outsourcing.



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1 Background and context

We operate two major new leisure centres, Becontree Heath Leisure Centre, Dagenham and Abbey Leisure Centre, Barking, as well as the Jim Peters Stadium and Barking Splash Park.

The two leisure centres are both in excellent condition, having both opened in recent years. Becontree Heath Leisure Centre (BHLC) opened in 2011, while Abbey Leisure Centre (ALC) opened to the public in April 2015. These two major sports facilities currently account for 95% of the revenues of our leisure portfolio.

ALC is located in the heart of Barking and has been a key landmark in the regeneration of the town centre, including a planned rapid expansion of residential dwellings within easy access of the centre. The centre is still in its relative infancy and its usage, membership base and income generation are expected to grow significantly over the next 12-18 months.

The Jim Peters Stadium was refurbished in 2012, ahead of the London 2012 Paralympic Games, and Barking Splash Park, a wet play area, in Barking Park, remains a popular seasonal facility open at weekends and school summer holidays.



The leisure facilities are forecast to generate £5.6 million of income in 2015/16

Like other local authorities across the country, we face significant financial pressures. Over the last four years we have had to make savings of £94 million and we have a target to deliver a further £70 million of savings by 2020. This means having to do things differently, and in order to deliver excellent services for our residents at an affordable cost, we are now committed to creating and seizing every opportunity to “deliver the same for less, or more for the same”.

In response to the financial challenge we have recently launched our Ambition 2020 transformation programme to seek out opportunities to deliver services and our broader ambition in a creative and cost effective way. Culture and Sports Services are part of the Ambition 2020 programme with an aspirational total savings target of £2.1 million by 2020.

An options appraisal was originally undertaken in 2014, which in early 2015 led to the decision to transfer Culture and

Sports Services to a newly established local Trust. However, pending the Chancellor’s Emergency Budget in 2015, a decision was taken to reconsider the local trust option resulting in the options appraisal being reviewed and updated in late 2015. It was recommended that the leisure centres should be outsourced to an experienced operator in order to maximise the financial benefits to the Council and protect and enhance the service provision. The revised appraisal also recommended that consideration is given to whether there would be further savings and benefits from also outsourcing the libraries service, whilst heritage would be retained in-house.

The leisure facilities are forecast to generate £5.6 million of income in 2015/16 and a net operating surplus of £125,000, excluding depreciation and support costs (the latter amounting to £362,000). The table below shows how this is broken down on a facility basis and a detailed breakdown for the two main leisure centres is set out in Appendix A.

Centre	Income	Expenditure*	Net revenue surplus	Annual usage
Becontree Heath Leisure Centre	£3,380,000	£3,340,000	£41,000	1,068,000
Abbey Leisure Centre	£2,070,000	£2,050,000	£19,000	384,000
Jim Peters Arena	£155,000	£89,000	£66,000	n/a
Barking Splash Park	£31,000	£33,000	£2,000	n/a

*Excluding depreciation and support costs.

2 Corporate priorities

As well as meeting the financial savings requirements, we are keen to better understand how an external partner could contribute towards our wider corporate priorities.

Our vision is simple:

*One borough;
One community;
London's growth opportunity*

and is supported by three corporate priorities:

Encourage civic pride

- Build pride, respect and cohesion across our borough.
- Promote a welcoming, safe, and resilient community.
- Build civic responsibility and help residents shape their quality of life.
- Promote and protect our green and public open spaces.
- Narrow the gap in attainment and realise high aspirations for every child.

Enable social responsibility

- Support residents to take responsibility for themselves, their homes and their community.
- Protect the most vulnerable, keeping adults and children healthy and safe.
- Ensure everyone can access good quality healthcare when they need it.
- Ensure children and young people are well-educated and realise their potential.
- Fully integrate services for vulnerable children, young people and families.

Grow the borough

- Build high quality homes and a sustainable community.
- Develop a local, skilled workforce and improve employment opportunities.
- Support investment in housing, leisure, the creative industries and public spaces to enhance our environment.
- Work with London partners to deliver homes and jobs across our growth hubs.
- Enhance the borough's image to attract investment and business growth.

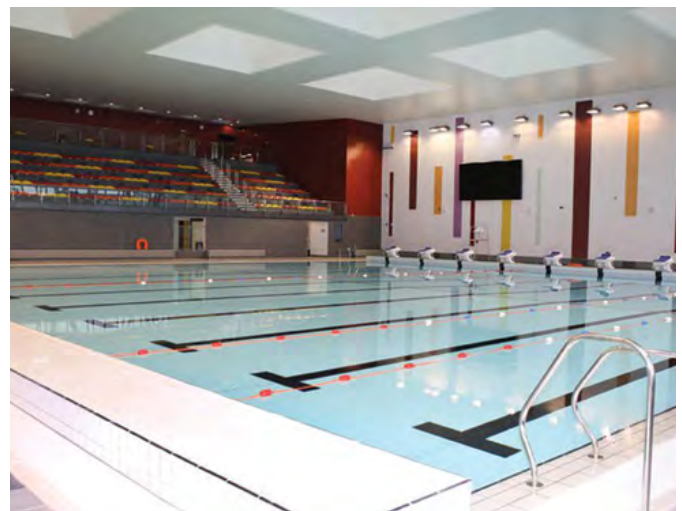
3 The opportunity

We are seeking to identify the potential market interest in the future management and operation of our leisure facilities and the financial and service benefits of outsourcing to an external operator.

We currently operate and maintain four leisure facilities:

Becontree Heath Leisure Centre

Opened in 2011, BHLC is a multi-purpose sports centre in the heart of Dagenham. The site contains two pools; a main pool and a teaching pool. The main pool is a ten lane 25m x 25m pool. The gym is split across two areas, and includes over 100 stations of top of the range Technogym equipment. The site has two studios, offering over 75 different classes on a weekly basis. There is also a Jolly Jungle indoor play area and large café.



The two centres have a combined total of **over 6,500 members**, this membership base is continuing to grow, particularly at the recently opened Abbey Leisure Centre.

Abbey Leisure Centre

The centre opened in April 2015, and is situated in the centre of Barking, near to the Town Hall and learning centre. It includes two pools; a main pool and a teaching pool. The main pool has six lanes and is 25m x 12.5m. The facility contains a 140 station gym, compiled of state-of-the-art Technogym equipment. There is also an on-site spa, which includes a hydrotherapy pool, rock sauna, three steam rooms and treatment rooms. The facility also has an indoor soft play area and café.



Jim Peters Stadium

Ahead of the London 2012 Paralympic Games, the Jim Peters Stadium was fully refurbished. The arena is made up of an all-weather eight lane athletics track, four jumping pits, a throwing cage and a fully accessible pavilion. The nature of the site is such that it can be used for a whole array of sporting opportunities, including athletics, football and cycling. The site is located adjacent to the Sporthouse, a large indoor sports facility built as a London 2012 training venue and currently operated by GLL under a long term contract.



Barking Splash Park

This is a seasonal outdoor wet play area located in Barking Park which was restored and re-opened following the closure of the original lido in 1988. The facility, re-opened in 2012, following a major park restoration scheme and opens at weekends and through school holidays during the summer months. The facility features the fountains from the original lido which have been restored to full working order. It should be noted that we are currently exploring alternative options for the Barking Splash Park that include transferring the management responsibility of the facility across to our parks team.



4 The process and response requirements

This exercise is intended to constitute an early engagement with the marketplace.

Our aim is to better understand the likely commercial offer from potential operators and their approach to improving the service offer. This will be done through a short questionnaire (Appendix D – separate word document) seeking the input of the market on a range of specific commercial and service matters.

At this stage we are not committed to any specific procurement or delivery strategy. However given that we expect any future operating partner to make a substantial surplus income payment to the Council, we consider that any future contract is probably best suited to structuring as a Service Concession.

The timescales for any potential future procurement will (in part) be informed by the outcome of this early market engagement, as we wish to strike the right balance between a rigorous process that is open, transparent and competitive, but we do not wish to discourage participation by being overly complex and time consuming.

Following the submission of all responses to this engagement, a summary report will be produced for the benefit of the Council outlining the levels of interest and summarising the key points and themes from the responses. This report will be presented to Members as part of the Ambition 2020 programme before a decision is taken on how we wish to proceed. Any commercially

sensitive information will of course be treated as confidential. This will include any indicative potential financial savings and/or outline commercial proposals.

Respondents to this early market engagement will be notified of our decision with respect to the potential outsourcing of the management and operation of our leisure facilities as well as the proposed timescale in March 2016. Should we proceed with a competitive procurement process, the table on page 11 outlines the likely schedule for this.

As this early market engagement is not part of any formal process and will not be formally evaluated, all responses will be given due consideration. This exercise is being used to develop an understanding of the market interest in this opportunity, and is not being used as part of any formal procurement process. Therefore, this exercise will not be used, by the Council or our agents, to filter out any potential interested parties ahead of any formal procurement process, should we choose to go down this route.

Responses to this exercise will not be scored or evaluated comparatively against one another, and will be used solely for the intended purpose by both the Council and V4 Services. The intent is to not only understand the level of market interest but also the financial and service benefits of outsourcing and to help scope out any potential future procurement process we decide to proceed with.

Indicative timetable

Element	Activity	Indicative dates
Early Market Engagement	Report on findings	February 2016
Phase 1	Council requirements defined in outline following early market engagement	April 2016
Phase 2	Advertisements Invitation that defines Councils' service and outcome requirements issued with outline of award criteria and PQQ	May 2016
Phase 3	Clarification dialogue with qualified responders	June 2016
Phase 4	Council requirements defined in more detail, along with evaluation model. Initial responses sought from qualified participants (up to three)	July 2016
Phase 5	Evaluation of initial responses, and filter (as applicable)	August 2016
Phase 6	Dialogue within competition – defined topics	September - October 2016
Phase 7	Submission of detailed solution	November 2016
Phase 8	Evaluation to identify preferred bidder	November – December 2016
Phase 9	Contractual terms and details clarified	January 2017
Phase 10	Award	February 2017
Phase 11	Completion and mobilisation	February – April 2017

For further information regarding this opportunity and questionnaire returns, please contact:

V4 Services Limited

Any queries and completed responses should be addressed for the attention of Mark Badams with LBBD in the email subject and sent to market.engagement@v4services.com

Telephone: 01785 211616

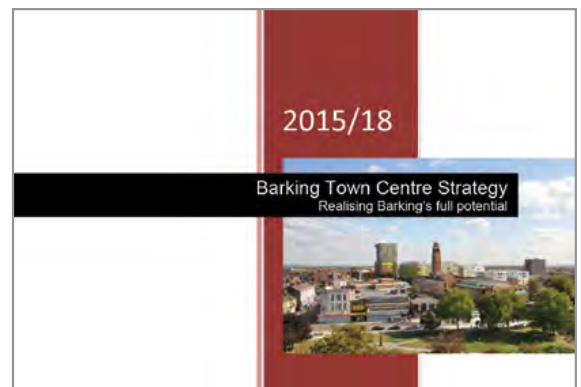
Deadline for responses: 5pm on Monday 25 January 2016

5 Further information

Further information on our corporate plans and sports, health and wellbeing strategies can be found through the following web links:

Click on each title to go to full document online.

- [Corporate Delivery Plan – 2015 - 2017](#)
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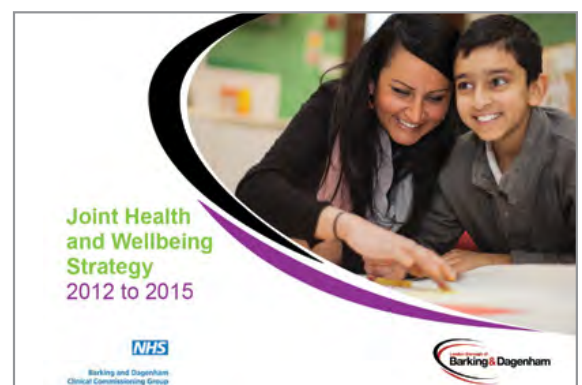


- [Barking Town Centre Strategy](#)
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- [Sport and Physical Activity Strategy 2012 - 2015](#)



- [Health and Wellbeing strategy 2012 - 2015](#)



Appendix A

Revenue breakdown for Becontree Heath and Abbey Leisure Centres 2015/16

Income	BHLC	ALC
Swimming lessons	£578,000	£459,478
Swimming lessons - direct debit	£500,000	
Swimming lessons - invoiced	£152,000	
Swimming - public	£240,000	£160,000
Membership - direct debit	£992,000	£651,000
Membership fees	£145,000	£37,000
Gym	£45,000	£23,800
Workout classes	£24,000	£17,000
Spa	n/a	£282,836
Soft Play Area	£202,000	£160,000
Catering	£202,000	£160,000
Vending	£14,000	£10,000
Resale	£30,000	£50,000
Hire of halls/rooms	£42,000	£15,000
Admission Charges	£5,000	
Sport hall	£4,000	
Recharges - public health	£125,100	
Recharges - other	£3,700	
Loyalty card membership		£15,000
Total	£3,303,800	£2,041,114

Grouped percentage breakdown	BHLC	ALC
Swimming	44%	30%
Health and fitness	37%	36%
Spa	n/a	14%
Soft play, catering, vending, resale	14%	19%
Other	2%	1%
Recharges	4%	

Forecast expenditure breakdown for Becontree Heath and Abbey Leisure Centres 2015/16

Expenditure	BHLC	ALC
Salaries	£2,100,000	1,628,000
Cyclical/planned maintenance - building	£86,000	
R & M minor works	£80,000	
Electricity	£110,000	69,000
Gas	£120,000	77,000
Rents payable	£48,000	48,000
Business rates payable	£271,000	195,000
Water and sewerage	£54,000	25,000
Cleaning services	£74,700	100,000
Premises insurance	£16,300	5,000
Transport fuel	£500	
Vehicle leases	£2,200	
Public transport for staff	£300	
Transport insurance	£200	
Car allowances	£300	
Cleaning materials	£42,000	
Goods for resale	£11,000	£3,500
Purchase - equipment, furniture and materials	£90,000	
Catering and vending supplies	£117,000	£44,000
Clothes, uniform and laundry	£6,000	
Photocopying	£5,000	
Stationery	£1,000	
Bank charges	£5,000	
Professional services - general	£60,000	
ICT	£500	
Security		£3,000
Licences		£22,000
Mobile phone costs	£300	
Land line telephone costs	£5,500	
Postage and courier services	£3,700	
Total expenditure	£3,310,500	£2,219,500

Benchmark ratios for the two Leisure Centres

Financial indicators	BHLC	ALC
Subsidy per visit	£0.28	£0.69
Subsidy per m ²	£53.24	£59.76
Subsidy per resident	£1.50	£1.46
Operating cost per visit	£3.37	£5.31
Operating cost per m ²	£645.32	£458.87
Support costs as % income	8%	5%
Maintenance costs per m ²	£14.34	n/a
Maintenance as percentage of costs	2%	n/a
Utilities cost per m ²	£50.90	£35.26
Utilities costs as percentage of costs	8%	8%
Staff costs as percentage income	64%	84%
Staff costs as percentage costs	58%	73%
Average FTE costs	£28,926	£29,600
Cost recovery percentage	92%	87%
Income per visit	£3.09	£4.62
Direct income per visit	£2.86	£4.59
Income per FTE	£45,507	£35,194
Income per station	£8,124	£3,865
Income per m ²	£592	£399
Secondary income per visit	£0.04	£0.02
Monthly income per gym member	£19	£26

Utilisation indicators	BHLC	ALC
Members as % of population	2%	1%
Visits as % of population	6%	3%
Visits per m ²	192	86

Financial indicators	BHLC	ALC
Members per station	35	12

Contact details

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