



Officer Decision Report

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Report to: Lisa Firth, Director of Parks, Leisure and Libraries

Date of Decision: 20th June 2023

Subject: Leisure and Entertainment Procurement

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? (<i>Insert reference number</i>)				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<i>“Appendix 1 is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) being business information of the Council and other parties that it is not in the public interest to publish”</i>				

Purpose of Report:

This report will set out the background to the leisure and entertainment services and summarise the current arrangements for the provision of these services.

This report shall go on to seek approval to implement the Cooperative Executive decision of 21st November 2021 (“Leisure and Entertainment Facility and Services Review”) by procuring an external provider(s) to deliver leisure and entertainment services in the city.

This report shall set out the procurement strategy for procuring a provider(s) to deliver the leisure and entertainment services.

Recommendations:

1. In accordance with authority delegated by the Co-operative Executive on 17 November 2021, it is recommended that the Director of Parks, Leisure and Libraries, in consultation with the Leader of the Council, the Director of Finance and Commercial Services and General Counsel & Monitoring Officer, approves the procurement strategies to appoint an external provider(s) to deliver sport, leisure and entertainment services in the city as set out in this report.
2. Note the information in **(the closed) Appendix 1** and the financial assumptions that have been made in forming this decision.
3. The Council and its Consultants have undertaken market engagement and analysis to determine the most appropriate route to market to procure the services for the facilities in scope. The market research sought to establish an approach that achieves the best way to; make it attractive to the market and encourage engagement, allows an element of negotiation or dialogue with bidders to optimise the offer for the Council, fits within the overall timescales for the project and is likely to achieve successful outcomes for the council, customers and communities.
4. As a result of the market assessment the procurement will be structured in to 3 packages:
 1. The services for the Sport and Leisure (including golf facilities).The entertainment facilities will be split and procured as separate packages:
 2. Arena
 3. The City Hall

Background Papers:

Cooperative Executive Decision Report: Leisure and Entertainment Facility and Services Review 17/11/2021

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: Jonny Mcquillin
	Legal: Richard Marik
	Equalities & Consultation: Annemarie Johnston
	Climate: Jessica Rick

	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	SLB member who approved submission:	Ajman Ali
3	Relevant Policy Committee	Strategy and Resources
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Tammy Barrass	Job Title: Head of Sport Leisure and Events
	Date: 20 th June 2023	

1. PROPOSAL

Background

- 1.1 In November 2021 the Co-operative Executive approved a decision for the Council to undertake a procurement exercise to appoint an external partner to run the Councils Sport, Leisure and Entertainment facilities.
- 1.2 The development and approval of the procurement strategies associated with procuring a new operator/s was delegated to the Director of Culture in consultation with the Leader of the Council, the Director of Finance and Commercial Services and the Director of Legal and Governance to approve procurement strategies to deliver the strategy and to award any associated contracts.
- 1.3 The leisure and entertainment facility review strategy has not changed from that approved by Co-operative Executive in November 2021 and there is no change in the factual basis in the original report.
- 1.4 Sheffield City Trust currently run most of the council's leisure and entertainment facilities and some of these arrangements come to an end in 2024. In 2019 Sheffield City Council commissioned SLC (Sport & Leisure Consultancy) to undertake a Leisure and Facility Investment Review (LIFR). This examined the ways in which the City's Leisure, Entertainment and Events facilities and services could be redeveloped to become as close to self-funding as possible through investment and service transformation and also how the facilities could be managed beyond 2024. This was driven partly by financial challenges, but largely by an ambition to improve the quality and accessibility of leisure facilities, the customer experience and to help achieve the vision and mission of the city's Move More Plan.
- 1.5 Since the 2021 Co-operative Executive decision, the Council has received specialist external advice to support the development of the procurement approach from external consultants (Sport & Leisure Consultancy and IPW) and legal advisors (DWF).

Current arrangements

- 1.6 The Council has a portfolio of leisure and entertainment facilities across the city. Some, such as Graves and Thorncliffe are delivered under a commissioned model where we have appointed Places Leisure partner to run the facilities.
- 1.7 The longest standing arrangements are those with Sheffield City Trust (SCT). SCT was set up in 1987 as an independent charity to oversee the running of the City's sport, leisure and entertainment facilities, linked

to the Major Sporting Facilities (MSF) which includes Ponds Forge, Hillsborough and the Arena.

1.8 Since 1987 additional facilities have been added to Sheffield City Trust portfolio, the Trust currently operate the following facilities:

- Ponds Forge International Sports Centre
- Hillsborough Leisure Centre
- The Arena
- Concord Sports Centre
- Beauchief Golf Course
- Tinsley Golf Course
- Birley Golf Course
- Heeley Pool and Gym
- Springs Leisure Centre
- English Institute of Sport Sheffield
- Ice Sheffield
- Sheffield City Hall

SCT operates these facilities for its own charitable purposes under long leases with funding support from the Council. The Council does not control what is delivered from these facilities and there is no service specification in place to determine how the facilities are currently run.

1.9 The funding arrangements in place for the MSF facilities means that part of the SCT managed portfolio (Ponds Forge, Hillsborough and the Arena) must be returned to the Council in 2024.

1.10 Procurement and subsidy regulations mean that the Council cannot simply enter into a further agreement with SCT when the existing arrangements come to an end, so the Council has explored options to either bring the services back in-house, establish a Local Authority Trading Company (LATC) to operate the services or appoint an external partner.

1.11 Complementing the SCT facilities, Places Leisure currently have a contract to operate Graves, Thorncliffe and Wisewood leisure centres. This contract is due for review in 2026 and therefore this procurement strategy has been designed to consider these facilities through a competitive process to ensure the Council continues to achieve best value. Including Places Leisure facilities will also eliminate the need to undertake a further procurement process shortly after concluding the process for the wider estate.

Proposal

1.12 It is proposed that the Council will implement its procurement strategy to appoint an external partner(s), to enable the Council to appoint a new operator and deliver Council commissioned, market driven service.

- 1.13 The procurement will be based upon value for money, defined as “the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought”.

Procurement strategy

- 1.14 The Council and its Consultants have undertaken market engagement and analysis to determine the most appropriate route to market to procure the services for the facilities in scope. The market research sought to establish an approach that achieves the best way to; make it attractive to the market and encourage engagement, allows an element of negotiation or dialogue with bidders to optimise the offer for the Council, fits within the overall timescales for the project and is likely to achieve successful outcomes for the council, customers and communities.
- 1.15 As a result of the market assessment the procurement will be structured in to 3 packages:
1. The services for the Sport and Leisure (including golf facilities). The entertainment facilities will be split and procured as separate packages:
 2. Arena
 3. The City Hall
- 1.16 ***Sport and Leisure (including golf)***, will be procured in accordance with the Concession Contracts Regulations 2016 (CCR 2016) and conducted in a manner consistent with the Public Contract Regulations 2016 Competitive Procedure with Negotiation. The process will involve the issuing of a Selection Questionnaire to short list bidders before releasing an Invitation to Submit Initial Tender, a negotiation with relevant bidders and an invitation to submit final tenders. The proposed contract length is up to 20 years (initial 10-year term with the opportunity to extend for two further periods of 5 years). The estimated value of the contract over the total period is £550m.
- 1.17 ***The Arena*** will be procured in accordance with the Public Contract Regulations 2015 and due to its complexity a Competitive Dialogue Procedure will be utilised which will comprise the issuing of a Selection Questionnaire to short list bidders, prior to issuing an Invitation to Participate in Dialogue and a single stage of dialogue meetings before moving to the submission of Final Tenders. The contract length will be for a period of up to 25 years which will be specifically determined by the procurement outcome. The value is estimated to be approximately £310m over the 25 year period.

- 1.18 **The City Hall** will be procured in accordance with the Public Contract Regulations 2015 and due to its complexity, a Competitive Dialogue Procedure will be utilised which will comprise the issuing of a Selection Questionnaire to short list bidders, prior to issuing an Invitation to Participate in Dialogue and a single stage of dialogue meetings before moving to the submission of Final Tenders. The contract length will be for a period of up to 25 years which will be specifically determined by the procurement outcome. The value is estimated to be approximately £155m over the 25 year period.
- 1.19 **Contract requirements & evaluation** - A detailed specification has been developed which has been done in consultation with partner organisations and in line with industry guidance. This will ensure a robust set of requirements are presented to the market covering all aspects of the service including customer outcomes, social value through local development, employment & skills outcomes, programming requirements, concessionary pricing, maintenance & facilities management.
- 1.20 The evaluation criteria will be determined for each procurement in line with the desired outcomes. The criteria will strike the right balance between quality, social & environmental, financial and commercial outcomes to award the contracts based on the Most Economically Advantageous Tender. Quality criteria will include questions aligned to how the Council's strategic objectives will be fulfilled, approaches to partnership working, effective programming, staff training and development, achievement of property and facilities management objectives and quality and performance management aspects including customer experience.

2. HOW DOES THIS DECISION CONTRIBUTE?

Entertainment (Arena and Sheffield City Hall)

- 2.1 The Arena and Sheffield City Hall are 'must have' facilities for a major city, they are a typical component of a core city infrastructure. The venues provide significant economic impact for the city by hosting a range of events with national, regional and local profile, for example: Halle Orchestra and International Concert Series at Sheffield City Hall, international/national concert tours and events at the Arena.
- 2.2 The facilities contribute to a range of benefits for the city and beyond and have a role to play in the strategic goals of the city. It is evident that the portfolio of events held within the entertainment venues contributes a significant direct economic impact, supporting GVA and employment which supports the city's wider strategic and economic objectives.

- 2.3 In addition, Sheffield City Hall generates significant footfall into the city centre, and provides events and cultural infrastructure that supports the future regeneration and vibrancy of the city.

Sport and Leisure (including golf) Procurement

- 2.4 The following key strategic objectives will be delivered by the Leisure Operator throughout the life of the Contract. They are designed to contribute to the Council's wider local strategic outcomes and achievement of the [Sport and Leisure Strategy](#) (due to be launched 2023) and the [Move More Strategy 2021 – 2026 – Move More Sheffield](#):

- To deliver high-quality, welcoming, inclusive and financially sustainable facilities and services that meet or exceed the required service standards and customer expectations.
- To increase participation in sport and physical activity and provide affordable access for all residents, particularly amongst inactive and less active groups and those at higher risk of experiencing health inequalities.
- To support the response to the Climate Emergency and minimise the impact of facilities and services on the environment, including taking positive action to encourage active travel.
- To support and deliver major events at the facilities, working in partnership with the Authority, NGBs, sporting bodies and other organisations, whilst balancing events with community access.
- To work in partnership to deliver development pathways from beginner to elite level and support talented athletes from all backgrounds.
- To maximise participation opportunities through development and delivery of a balanced programme of activity across all Facilities in consultation with local communities and the Authority.
- To maximise participation opportunities through development and delivery of outreach activity within community spaces and the City's outdoor assets and green spaces in consultation with local communities and the Authority.
- To deliver increased levels of participation in physical activity amongst children and young residents in the City.
- To improve levels of swimming attainment amongst children and young residents across the City.
- Design and deliver services with a targeted approach to improving the health and wellbeing of local residents.
- Develop strong and positive partnerships to contribute to the reduction of health inequalities across the City.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 A significant consultation exercise was carried out in 2022 which captured the views of over 2000 residents. This consultation has helped to shape the procurement approach and identify the priorities for a new operator for the Council's Sport, Leisure and Entertainment estate.
- 3.2 Development of the procurement strategies has included consultation with a range of internal and external partners, this includes consultation with the Council Leader, consultation with all Political Parties and Party Leaders, consultation with a range of Council departments. Feedback from consultation has helped to shape the Tender documentation and associated specifications.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 Procurement of an External operator will enable the council to have greater control over the delivery of services including key policy areas such as the requirement for the bidder to offer the Real Living Wage, concessionary pricing requirements and social outcomes will be set as part of the Specification for Services.
- 4.1.2 The Specification for Services we will ensure that our partner organisation has robust employment practices in place in relation to equality, diversity and inclusion to ensure that positive steps are taken to ensure that the workforce is representative of the community they serve.
- 4.1.3 It is expected that investment into new and improved facilities will help to attract and retain increased participation and usage of venues. Improved facilities will better meet customer needs and will provide a modern and welcoming leisure and entertainment offer that is more accessible and inclusive. This will help to reduce inequalities, increase access and remove barriers to participation and encourage more people to be more active, more often will contribute to our Public Health objectives and the City's Move More outcomes.
- 4.1.4 Investment in Leisure will improve financial viability and long-term sustainability of the service. It will ensure that facilities are up to date, relevant and based on evidence and need. New facilities will also help to deliver against the council's commitment to the climate emergency by improving the environmental sustainability of facilities.

4.1.5 The proposal is expected to have positive equality of opportunity impacts as investment in facilities will help to reduce barriers to participation and encourage more people to be more active, more often, especially those who don't currently use the facilities. Investment in facilities will improve equality of access ensuring that facilities are designed to be fully accessible and inclusive.

4.2 Financial and Commercial Implications

4.2.1 The original strategy as proposed, and agreed by Co-operative Executive in November 2021 has been extensively financially remodelled to ensure the financial viability and probity of these plans, given changes in costs (including energy, pay and capital costs) and other assumptions.

4.2.2 Recent and expected changes in VAT Regulations have also been considered to ensure that the original foundation for deciding on seeking an External Provider through procurement, over an alternative management model remains sound and reflects best value for money for the Council and people of Sheffield.

4.2.3 In order to provide the best economic return of operating the named facilities, whilst providing a high quality, yet affordable service our modelling advocates seeking (an) external operator(s) whilst also investing in our Capital Estate.

4.2.4 The preferred option will see over £100m invested in leisure and entertainment in Sheffield. A significant proportion of this will be in new build and enhancement capital works to our Leisure Estate. Strong progress on maintenance to date, as well as detailed surveys has resulted in a lower than anticipated backlog cost than previously modelled, which offsets some of the increasing cost pressures in other areas.

4.2.5 The above strategy can still be achieved within the original financial envelope of the November 2021 decision and remains the suggested route for achieving the strategies aims.

4.2.6 The revised financial modelling done to support the recommendations in this report shows that:

- The investment programme will require support from Reserves until approximately 2031
- Once the initial investment programme is complete, Reserves will be repaid from the operational surpluses.
- A prudent ongoing maintenance allowance within the financial model will reduce the risk of backlog maintenance building up into the future and will be set aside as part of the procurement strategy.

4.3 Legal Implications

- 4.3.1 The Council has the power under the Local Government Miscellaneous Provisions Act 1976 to provide recreational facilities inside or outside its area as it thinks fit including premises for the use of clubs or societies having athletic, social or recreational objects; staff, including instructors, in connection with any facilities and facilities by way of parking spaces and places at which food and drink may be bought from the authority or another person and the power to provide buildings, equipment, supplies and assistance of any kind.
- 4.3.2 The contracting arrangements are permitted by the Local Government (Contracts) Act 1997.
- 4.3.3 There are no set procedures to follow in the CCR16 and the design of the most appropriate procurement process is left to the Council. However, the procedure, amongst other things, must:
- be transparent, and not be discriminatory (Treaty principles have to be followed);
 - must avoid distorting competition;
 - must include measures to combat fraud, favouritism and corruption;
 - must prevent, identify and remedy any conflict of interest.
- 4.3.4 By following the procurement procedure laid out in the PCR 2015 for the procurement of the sports, leisure and entertainment contract, the Council can ensure that the principles under the CCR 2016 are met.
- 4.3.5 The procurement process proposed for the procurement of the Arena and City Hall contracts is compliant with PCR 2015.
- 4.3.6 The procurement of all three contracts proposed in this report are compliant with the Council's Contracts Standing Orders.

4.4 Climate Implications

- 4.4.1 The Operator/s appointed as part of this procurement exercise shall support the Authority's response to the climate emergency through responsible environmental and energy management and the efficient use of energy throughout its operations. It shall also recognise that good environmental and energy management helps to protect the

4.4.2 environment by conserving natural resources and reducing harmful emissions.

The appointed Operator/s shall take account of, and comply with, the Authority's Ten Point Plan for Climate Action which lays out the framework for how the Authority will work with the City to address the shared challenge of the climate crisis

4.5 Other Implications

4.5.1 **Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) - TUPE**

Transfer of these services to another external operator is likely to include a transfer of affected staff under TUPE regulations and current providers will have to make this assessment and comply with the regulations where they apply.

4.5.2 Anonymised TUPE information will be made available to bidders through the data room and subject to the signing of an NDA.

5. ALTERNATIVE OPTIONS CONSIDERED

Alternative Procurement Option Considered

5.1	Option Considered	Reason for not progressing as the preferred option
	Keeping all facilities together under a single contract	The Arena and City Hall are specialist event spaces requiring an experienced operator. Soft Market Testing responses from both Sport and Leisure Operators and Entertainment Operators was to separate out leisure and entertainment.
	Keep sport and leisure together and have a separate lot for golf	Larger providers all have experience of golf or are able to partner with specialists where needed therefore there is no requirement to run golf as a separate lot. Maintaining within the overall Sport and Leisure contract makes it easier to co-ordinate activity between facilities and also provides the opportunity for a more extensive package of membership offers

Keeping the Arena and City Hall together under one package for Entertainment	Soft Market Testing showed that there is a different operator market for the Arena and City Hall. If we were to package the venues together, we would limit the number of interested bidders.
Put the Arena and Ice Sheffield in one package, creating a package with all ice facilities together.	Soft Market Testing showed that there is a different operator market for the Arena and Ice Sheffield with minimal interest in this combination of facilities. If we were to package the venues together, we would limit the number of interested bidders for both the Arena and Ice Sheffield.

5.2 Alternative Operator Models Considered

5.2.1 The Council has reviewed three possible options for the future management of facilities. This included in house, a Local Authority Trading Company (LATC) and appointment of an external partner. The in house and LATC options were not selected as they are more expensive and present a greater level of financial uncertainty and risk to the Council. They would not allow for the level of investment needed for the Council to offer significantly improved leisure facilities.

5.2.2 Do Nothing

Doing nothing is not an option. The current arrangement with Sheffield City Trust come to an end in 2024 and the facilities themselves require significant investment just to remain open and functioning. Without investment facilities will continue to decline and eventually close.

6. **REASONS FOR RECOMMENDATIONS**

6.1 The development of the Procurement Strategies and detailed Specification for Services will help to enhance the offer to customers and communities. An improved offer will attract and retain increased participation and usage of venues.

6.2 The Leisure Review approved has shown that the procurement of an external partner/s from 2024 is the most financially advantageous and returns the highest level of income to the Council.

6.3 Agreeing a fixed contract with an external partner will also provide a greater level of financial certainty as a management fee will be set as part of the contract procurement and financial risk can be transferred to the external partner.

- 6.4 The procurement strategy has been designed to deliver the benefits outlined in the report strategy of November 2021 and there has been no material change to this strategy.