

**TITLE OF REPORT:** Procurement of a Leisure Operator  
**REPORT OF:** Alice Wiseman, Director of Public Health

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### **Purpose of the Report**

1. This report provides Cabinet with the outcome of the tender process carried out to identify an operator to manage Gateshead Leisure Centres and support the Community Physical Activity Partnership. Additional information that is commercially sensitive is available at appendix 3 which can be found in the private part of the agenda pack.

### **Background**

2. In 2015, Cabinet agreed that Leisure Services would achieve the position of no longer being directly funded by the Council and would return an income to enable investment in Council priorities by 2020. This was not achieved, and the service was not operating within its allocated budget provision and therefore in February 2021, Cabinet approved the commencement of a review of Leisure Services by the Public Health and Wellbeing (PHWB) Group to evaluate their impact on public health and their role in delivering the Health and Wellbeing Strategy.
3. For financial year 2022/23 the Council agreed a budget of £2.2m for Leisure Services, (including a Public Health grant of £0.98m but excluding planned, strategic and lifecycles maintenance), however the Service were not able to operate within this budget provision and required the Council to fund Leisure Services to a value of £4.3m (including the approved budget, overspend and undelivered saving).
4. It was agreed by Cabinet on 22 October 2022 that the Council would seek tenders for an operator to manage the service in the future. The review concluded on 20 June 2023 when Cabinet agreed to close Gateshead Leisure Centre and Birtley Swimming Centre on 21 July 2023 whilst discussions continued to explore potential Community Asset Transfers with community organisations who had expressed an interest in operating them.

5. Gateshead Leisure Centre was re-opened on 14 June 2024 by Gateshead Active and Birtley Swimming Centre was re-opened on 16 September 2024 and both groups appear to be operating the facilities well.
6. It was agreed by Cabinet on 21 November 2023 to include Gateshead International Stadium (GIS) within the scope of the procurement process for a leisure operator.
7. On 17 September 2024 Cabinet and Council agreed the Councils Medium Term Financial Strategy (MTFS) which set out a challenging period for the Council. Funding of local authorities and demand pressures is a national issue with a growing number of local authorities reporting significant financial issues and failures, including 19 local authorities which needed exceptional financial support to set a legally balanced budget in 2024/25. While the Council is not in this position, the challenges that the Council is facing should not be underestimated. Based on financial projections outlined in the MTFS, the Council estimates that overall, it will need to close a cumulative financial gap of £34.4m by 2029/30. Alongside demand intervention there is a requirement to find £14.8m of budget cuts whilst demand and costs continue to grow for key statutory services.

### **Scope of the Leisure Operator Procurement**

8. The Council have conducted a Competitive Tender Procedure with Negotiation to establish a 10 year partnership (with an option for a further 5 years) with an operator to undertake the management and operation of its leisure centres and provide sports and leisure services both within the centres and within communities that contribute to the delivery of the Council Plan, the Gateshead Health and Wellbeing Strategy 2020, the Joint Strategic Needs Assessment and the Physical Activities Strategy.
9. The Centres that will be subject to this partnership include Blaydon Leisure Centre, Dunston Leisure Centre, Heworth Leisure Centre and Gateshead International Stadium (GIS).
10. The Council has also included within the contract the responsibility for all of the maintenance (including reactive maintenance, planned maintenance, and lifecycle/strategic maintenance) of the in-scope facilities and also grounds maintenance. The Tenderers have also been asked to manage the Tennis Courts that have recently received funding from the Lawn Tennis Association for refurbishment.
11. Birtley Leisure Centre is not included in the scope of this procurement exercise and is subject to an existing contract with Competition Line UK which runs until 2028, although provision has been made for it to be included in the future subject to negotiation.

## Tender Process

12. The notice commencing the tender processes was issued on 15 January 2024. This was followed up by an open market day where 3 interested bidders met with Council Officers who explained what the Council was hoping to achieve as a result of the procurement process and included site visits to all of the Gateshead Sites that were in scope of the contract. This gave the operators a better understanding of the opportunity and enabled them to ask questions and provide feedback to the Council which was used to develop the final tender documentation.
13. Selection questionnaires were issued to the bidders on 20<sup>th</sup> February 2024 and following their evaluation, initial tenders were received from 2 of the largest national leisure operators on 28 May 2024 and evaluated during June. Negotiation meetings were held with the Tenderers in July to discuss the Council's requirements and provide feedback to the Tenderers on their initial proposals. The Tenderers were then invited to submit their best and final offers to the Council which were received on 25 September 2024.
14. The tender evaluation was very comprehensive, and support was provided by many officers across the Council in addition to FMG Consulting, a specialist leisure consultant and Blake Morgan, a legal firm with a lot of experience in developing the legal documentation required for this type of contract. In addition to assessing the financial proposal and compliance with the proposed legal contract, the Council assessed a range of qualitative method statements and responses to questions about their approach to business planning, continuous improvement, inclusion, quality management standards, marketing and communications, activity programming, customer experience, data and systems, staffing proposals, risk management, health and safety, statutory maintenance, responsive repairs, planned and lifetime maintenance, equipping the facilities, cleaning, energy and environmental management.

## Results from the tender process

15. The results from the tender process are set out in table 3 below:

**Table 3 – Tender Evaluation Results**

	Tenderer A	Tenderer B
Weighted Quality Score (out of 60%)	42%	48%
Commercial Assessment (including financial, legal and deliverability assessments) (out of 40%)	38%	9%

TOTAL SCORE	80%	57%
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Detailed information about the offers made by both tenderers which are commercially sensitive can be found in Appendix 3 in this agenda pack which can be found on the private part of the agenda.

## **Proposal**

- 16.** It is proposed that Cabinet agree to award a contract to the tenderer that has submitted the most economically advantageous tender.

### **Recommendations**

- 17.** It is recommended that
- (i) Cabinet agree to award a 10-year contract with an option to extend for a further 5 years to Tenderer A based on the recent tender documentation and process to commence on 1 April 2025.
  - (ii) Delegated authority is given to Strategic Director, Corporate Services and Governance to finalise the contractual arrangements with Tenderer A

for the following reason(s)

- (i) To deliver leisure services at a lower cost than could be achieved by the Council delivering the service directly, without reducing the quality of the provision and leading to the sustainability of the service for the next 10 – 15 years.
- (ii) To ensure a robust and comprehensive contract is implemented between the appropriate parties.

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### **Policy Context**

1. The Council operates a comprehensive Leisure Service offer comprising sport, leisure and swimming facilities across several leisure centres within the borough and delivers a range of support activities to other organisations, clubs and the community.
2. Physical activity is the cornerstone of good health and wellbeing. The Physical Activity Strategy highlights that there is overwhelming evidence that regular physical activity is good for physical and mental health and wellbeing and prevents long term health conditions such as heart and lung diseases, diabetes, cancers and obesity.
3. Physical activity, as described in the Physical Activity Strategy, has a very wide definition and is not limited to activity that takes place in sports and leisure premises. It can also include walking, running, cycling and many other outdoor activities and this has been recognised by the Leisure Operators who want to reach out more to people within their own communities.
4. The recommendation allows for a long-term stability in a leisure provision offer within Gateshead at a reduced cost to the Council and with the full transfer of strategic maintenance costs and secures some capital investment in the sites. The highly experienced leisure operator will bring added value to the service, increased take up of physical activity, and effective contract management will ensure high levels of customer and staff satisfaction whilst achieving strategic outcomes.

### **Background**

5. Leisure Services have been subject to many reviews over recent years and a range of proposals have been developed to retain a directly employed workforce to deliver leisure services. Unfortunately, the service has repeatedly struggled to operate within its allocated budget and is considered to be relatively high cost based on CIPFA Benchmarking data. It does not always provide the best outcome for Gateshead residents and does not necessarily score well when benchmarked with other leisure providers as evidenced through FMG benchmarking.
6. It was agreed by Cabinet on 22 October 2022 that the Council would seek tenders for an operator to manage the service in the future.

### **Consultation**

7. Consultation has taken place with the Leader and Portfolio Holders.

8. Employee consultation has been ongoing throughout the review to ensure they are kept up to date with progress where possible. Formal consultation will commence with staff and their TU representatives on 20 November 2024 regarding the proposals as set out within this report.
9. Consultation has taken place on this report with the Trade Unions and their views is set out below:

#### UNISON & GMB

Since the council's welcome investment into leisure provision back in 2009/10, continuing austerity has placed impossible financial pressures across the council. As far back as early 2015 - despite huge efforts - it became increasingly clear the council were unable to long-term financially underpin the outstanding leisure facilities which have been developed across Gateshead over many years.

Since then, UNISON'S and GMB's leisure members have worked tirelessly with the council to try to establish a long-term sustainable future, however, we have reluctantly recognised the best way to secure our members prospects is to work with the council to appoint a credible, high-quality, specialist and experienced partner operator for Blaydon, Dunston and Heworth Leisure Centres and Gateshead International Stadium.

Any future partner operator will become the guardians of great facilities with superb staffing teams. UNISON and GMB will work diligently with any credible organisation who will invest to secure the future of these highly regarded, accessible and essential community facilities.

#### **Alternative Options**

10. Previous reports considered by Cabinet as listed in paragraph 18 have examined a range of options for the delivery of leisure services and there was clear evidence for partnering with a Leisure Operator. The alternative would be for the Council not to award a contract and continue to provide leisure services directly; however, this would not achieve a financially sustainable position or value for money and would be unlikely to improve services to the community due to the hugely challenging financial position.

#### **Implications of Recommended Option**

11. **Resources:**

#### **Financial Implications –**

On 17 September 2024 Cabinet and Council agreed the Councils Medium Term Financial Strategy (MTFS) which set out a challenging period for the Council. Funding of local authorities and demand pressures is a national issue with a growing number of local authorities reporting significant financial issues and failures, including 19 local authorities which needed exceptional financial support to set a legally balanced budget in 2024/25. While the Council is not in this position, the challenges that the Council is facing should not be underestimated. Based on financial projections outlined in the MTFS, the Council estimates that overall, it will need to close a cumulative financial gap of £34.4m by 2029/30. Alongside demand intervention there is a requirement to find £14.8m of budget cuts whilst demand and costs continue to grow for key statutory services.

The recommendations set out in this report will enable the Council to sustain a leisure offer and reduce the Council's projected funding of Leisure Services over the next 10 years and more details can be found in Appendix 3 which is in the private part of the agenda.

Under the proposed arrangements the Council will retain the risk of utility pricing at the site and will therefore retain budgets within PHWB to continue to pay the utility bills.

The management fee will also be subject to an annual consumer price index (CPI) uplift.

An estimated £50k will be required to support the contract implementation process and establish a client officer function to manage the contract effectively. The Strategic Director of Resources and Digital confirms that this can be funded from existing budgetary provision.

#### **Human Resources Implications –**

Contracting with an Operator will result in the transferring of approximately 153 leisure services employees to the new provider. Staff terms and conditions will be protected under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations. The staffing structures at the sites will change over time and the recommended Tenderer has agreed to work with the Council on redeploying staff or offering voluntary redundancies

#### **Property Implications -**

Accepting the recommendation will result in a long lease of the Leisure Centre premises to Tenderer A, who will be responsible for the reactive, planned and Strategic/Lifecycle Maintenance of the

facilities and the grounds maintenance. A number of key performance indicators will be used to monitor the operator's performance in relation to managing and maintaining the sites over the contract period.

**Risk Management Implication -**

12. The risk management implications have continually been managed as part of the overall project management, but to continue with the current delivery model leaves the Council exposed to the risk of having to continue to fund the Service, with an estimated £3.4m revenue funding requirement forecast which does not include any planned or strategic/lifecycle maintenance.

**Equality and Diversity Implications -**

13. There is evidence that the leisure service is used by specific protected groups, including young people, older residents, and residents with disabilities. An integrated impact assessment for the contracted service has been developed and is attached as Appendix 2. Tenderer A has committed to maintain or increase service elements that support those with disabilities and offers a wider range of activities specifically targeted to protected groups and therefore it is considered that there will be an improvement in the overall equality and diversity implications.

**Crime and Disorder Implications –**

14. There are no known crime and disorder implications resulting from the recommendations in this report.

**Health Implications –**

15. The recommendations in the report will provide greater certainty that the services required to deliver the outcomes in the Physical Activity Strategy including increasing health and fitness participation across the Borough, and providing a wider range of activities to attract people of all ages and all abilities which will ultimately improve health will be delivered.

**Climate Emergency and Sustainability Implications -**

16. The recommendations in the report will support delivery of the Council's Climate Change Strategy 2022.

**Human Rights Implications -**

17. There are no human rights implications resulting from the recommendations in the report.

**Ward Implications -**



18. The wards that will be most impacted are those that include the existing leisure centre provision, however all wards will have communities that use the Gateshead Leisure Facilities.

**Background Information:**

- Report to Cabinet on 4 February 2015
- Report to Cabinet on 2 June 2015
- Report to Cabinet on 15 September 2015
- Report to Cabinet on 15 December 2015
- Report to Cabinet 19 April 2016
- Report to Cabinet 11 October 2016
- Report to Cabinet 13 December 2016
- Report to Cabinet 21 February 2016
- Report to Cabinet 19 December 2017
- Report to Cabinet 15 October 2019
- Report to Cabinet 19 November 2019
- Report to Cabinet 19 January 2021
- Report to Cabinet 19 October 2021
- Report to Cabinet 25 January 2022
- Report to Cabinet 22 October 2022
- Report to Cabinet 24 January 2023
- Report to Cabinet 20 June 2023
- Report to Cabinet 21 July 2023
- Report to Corporate Resources OSC 4 September 2023
- Report to Corporate Resources OSC 16 October 2023
- Report to Cabinet 21 November 2023
- Report to Corporate Resources OSC 27 November 2023
- Report to Corporate Resources OSC 22 January 2024
- Report to Cabinet 17 September 2024
- The Council's Physical Activity Strategy



# Tackle inequality so people have a fair chance

## INTEGRATED IMPACT ASSESSMENT TEMPLATE

### Appendix 2 Equalities Impact Assessment

Title of proposal: Appointment of a leisure operator to manage Blaydon, Dunston, Heworth Leisure Centre and Gateshead International Stadium and support the Community Physical Activity Strategy	Age	Race	Sex	Gender reassignment	Disability	Religion or Belief	Pregnancy and Maternity	Sexual Orientation	Marriage and Civil Partnership	Description of potential mitigation
<p>Equality impact: (tick all that apply. The assessment should also consider impact on council employees and carers where applicable)</p> <p><b>AGE:</b></p> <p>The operator will maintain the current service offer for children and young people and for older people at the current sites.</p> <p><b>DISABILITY:</b></p> <p>The operator will maintain the current service offer for people with disabilities and long term</p>	Y	Y	Y	Y	Y	Y	Y	Y	Y	<p>Procurement of a leisure service provider partner will transfer day to day management of the council owned and operated leisure centres and swimming pools.</p> <p>The services delivered by a leisure service partner will continue to provide a leisure offer at the 3 sites, and at GIS,</p> <p>The service specification sets out the requirements of the Council in provision of this service.</p> <p>There will be a positive impact on people with protected characteristics.</p>

health conditions at the current sites.

**PREGNANCY AND MATERNITY:**

The operator will maintain the current service offer for pregnant women or those on maternity leave at the current sites.

**SEX:**

The operator will maintain the current single sex service offer for adults at the current sites.

**OTHER PROTECTED CHARACTERISTICS:**

The change of management of our Leisure service should have minimal impact across the range of protected characteristics of its identified user groups.

Specialist support organisations and community groups will continue to use the facilities.

Our Corporate EDI policy applies to all council services, including those using volunteers or delivered by other organisations on behalf of the council. The

Access to services will be enhanced, through the lifetime of the contract.

The provider will deliver positive outcomes for residents to support delivery of the Physical Activity Strategy and increased usage of leisure services, including increased participation of hard to reach groups.

The operators set aside £40K of revenue funding per annum within their bid proposals for an Active Communities Programme of targeted Gateshead activities and interventions. This includes direct delivery of target sessions in community settings

The Operator will maintain access to leisure services to ensure facilities and services are fully accessible, including for people with disabilities under the Equality Act.

The Operator will adopt a holistic and inclusive approach to equality of access and participation for all users, regardless of their protected characteristics.

The Operator will continue to provide free of charge leisure passes for Children in Care and Care leavers. This will provide free access to gym,

operator will deliver leisure services in line with our equality diversity and inclusion commitments.

swim and fitness classes (access appropriate to the age of users) for:

- Care experienced young people (18-25 yrs.)
- Children in care (and their household)
- Foster carers (and their household)
- Children with highly complex needs with a social worker

The Leisure operator will provide a new concessionary pricing scheme to support residents and service users.

The new operator will protect existing & prior bookings at our leisure centres to give a balanced programme of use to accommodate community and club activity.

The Operators pricing structure and membership architecture will fully align and integrate across the centres. It will include a free Pay As You Go (PAYG) resident discount card, concessionary memberships with expanded eligibility criteria, free 6-month refugee membership, Give It A Go 6 week low-cost health initiative, and public sector discounts.

The Operator will deliver an enhanced SEND programme which will include as a minimum –

- 3 x family swim sessions at the weekend (Blaydon/Dunston/Heworth)
- 2 x family weekday sensory swim sessions at Dunston
- Increased number of available 1-1 swimming lessons linked to Level Water (subject to funding)
- No more than a 6-month waiting time for a child to be enrolled in a suitable swimming lesson (1-1 / 1-2-1 / group lessons)
- Working with specialist SEND partners to enhance the programme e.g. Smile Through Sport, Wheels for All etc.
- Access to SEND programme in neighbouring authority

The Operator will support this programme with a mixture of free access and concessionary pricing

**Health impact: (eg physical, mental health, wellbeing, substance misuse)**

The Operator will play a leading role in improving the health outcomes of Gateshead communities, including those facing economic, health and social inequality. With the Operators extensive and varied services and products, they are committed to working with the Council, Public Health, Healthy Lifestyles Team, NHS, GPs, primary care networks, Community and Family Hubs and other local stakeholders on prevention and promoting healthy lifestyles.

**Workforce:**

Transfer of Undertakings and Protected Employment (TUPE) regulations 2006 will apply to this contract. We recognise there could be an impact on the health and wellbeing of the current leisure centre workforce who may be transferred under their current terms and conditions of employment to the leisure service operator, in terms of uncertainty and anxiety during the transition.

This transition will represent a major change for many of these employees, and their morale, well-being and skill development will be a top priority for the new Operator.

The new Operator will create a culture for Gateshead centres that gets maximum value out of all their people by helping them realise their potential and feel valued.

Examples -

- Multi-skilled staff – through our learning & development and apprenticeship programmes developing a flexible workforce
- Career Deal – guarantees a minimum of 35 hours development a year for every employee.
- Young Leaders - explore opportunities of working with Gateshead College to utilise students to support programmes, events and interventions.
- Working with local employment services to recruit 80% of new members of staff from the local area
- Real Living Wage Employer – accredited to the Living Wage Foundation

**Socio Economic impact: (eg neighbourhood, ward, area of deprivation, household group, income, wealth)**

**Service users:**

The Council's Leisure Centres represent significant community

We know that currently 57% of households in Gateshead live within 1 mile of the current council operated leisure centres.  
Looking at the lower super output areas (LSOA) within 1 mile of each leisure centre (where the whole or majority of each LSOA is within 1 mile), the proportion of people located within the top 30% most in need areas of Gateshead (as defined by Gateshead's 2022 Local Index of Need) are;

- Heworth 42%
- Dunston 18%
- Blaydon 12%

**Workforce:**

Transfer of Undertakings and Protected Employment (TUPE) regulations 2006 will apply to this contract. There would therefore be no financial impact on the current leisure centre workforce who may be transferred under their current terms and conditions of employment to the leisure service operator.

assets, ideally placed to help develop vibrant neighbourhoods and achieve healthy living outcomes. In partnership with the Council's health, sports and community teams, the Operator will position the centres as Active Wellbeing Hubs, delivering health and participation outcomes for the communities across Gateshead. They have divided Gateshead into 3 areas. Each centre will become a hub linked to community settings in their area to widen the reach of the service.

**Environmental impact: (does the proposal impact on climate change and the Council's commitment to be carbon neutral by 2030? Is the proposal in line with the Council's Environmental Policy? Does the proposal increase natural resource use? Does the proposal increase waste? Does the proposal increase pollution? Does the proposal impact on wildlife? Does the proposal increase car use? Does the proposal increase energy use?)**

The 3 Leisure centres at Blaydon, Heworth and Dunston and GIS will remain council assets.

The leisure operator will take full responsibility for aspects of reactive, planned preventative maintenance and life cycle maintenance as part of the contract.

The Operator will undertake all grounds maintenance services including grass cutting and artificial turf pitch maintenance under the terms stated in the specification and supporting grounds maintenance information.

The Operator is committed to becoming Carbon Net-Zero by 2050, with an ambition to hit this target sooner. There are reducing their reliance on fossil fuels, minimising waste, and reducing their impact on the environment; whilst working closely with local authorities to achieve joint climate goals. This includes using energy monitoring, sustainability champions and promoting active travel

**Cumulative impact: (consider impact based on successive budgetary decisions relating to the proposal or is the proposal part of wider budgetary considerations that may collectively have an impact on service users, and is potentially at odds with the Thrive agenda)**

The proposal will have a positive impact throughout the lifetime of the contract.

**Summary of consultation/data/research undertaken to inform the assessment:  
(eg feedback and engagement with service users, trade unions, employees, partners, public, benchmarking, case studies)**

A public online consultation for all leisure service users, residents, stakeholders and employees operated from Wednesday 2 November until Tuesday 13 December. 2022 as part of the Leisure Review. Phase 1 of this consultation was reported to Cabinet in January 2023. An extension of this consultation took place between February – May 2023 and was reported to cabinet in June 2023.

GIS was not included in this consultation exercise as a separate review process was undertaken. Stakeholder engagement for GIS took place in summer 2023 and was reported to cabinet in November 2023.

**Signed: (completing officer)**

**Date:**

**Service Director: (approved)**

**Date: 25/10/24**

