

# Case Study: Watford Leisure Centre Asset Management

How a successful public private partnership transformed public assets, benefitting the people of Watford | Joe Inniss, Rob Bolton, Lydia Newton, and team

## Introduction

On the 8th September 2022, Watford Borough Council announced a £200,000 investment project that will provide further upgrades to Watford Leisure Centre Woodside.

This investment will be entirely funded by the private company who manage the leisure centre, enabled by the successful partnership set up by the local authority, Watford Borough Council.

The upgrades will add improved football facilities including new AstroTurf, 3G pitches, and new goals for 5-a-side, 7-a-side and 11-a-side matches.

Under the leadership of Elected Mayor Peter Taylor, (formerly the councillor responsible for the portfolio), Watford's leisure centres have been enormously successful. Peter implemented the transfer of management of the leisure centres from public to private in 2013, as part of a mutually beneficial public/private partnership.

Before the partnership, the leisure centres were operating at a loss, costing the local authority approximately £1M per year to keep open. Facilities were in a poor condition leading to poor attendance, less revenue, and less investment in facilities; a spiral of doom.

This all changed with the implementation of the partnership. Large investments by partners led to massively improved facilities

which in turn led to improved attendance rates. This has created a reinforcing positive feedback loop leading to further investments.

The leisure centres have actually been so successful that the partnership terms, have since allowed for even better outcomes for residents, including free swimming for local families.

The leisure centres now generate approximately £1M per year for the local authority which is used to provide other vital services in Watford.

## How did the leisure centres get set up for success?

The first task was to undertake early market engagement. Principally, this was to check the viability of establishing a strategic partnership contracting out services to expert providers. After establishing that there was both

the capability and interest, the procurement processes could move to the next phase.

Before going to the market, it was important to clarify the objectives - setting out in plain language the outcomes to be achieved.

It's important to note that these objectives formed the basis of outcomes-focused contracts, not a prescriptive list of tasks. To quote from Peter Taylor, "what matters is outputs and services for residents."

To identify examples of good and bad outcomes, the council spent time looking at as many other providers and leisure centres as possible. These outcomes can be grouped into three main categories:

### **(1) Outcomes that describe value for the people of Watford**

These would tend to be oriented towards health and well-being and



would be informed by indicators such as number of members regularly attending the facilities over the longer term (rather than simply total number of members). There may be some measures around user satisfaction including user experience or cleanliness of the facilities. The other easily measured indicator is the fee structure to ensure maximum access for the whole community. Money, in terms of fees paid to the council, were a primary output to the partnership.

### ***(2) Outcomes that are mutually beneficial for both the people of Watford and the management organisation***

These would tend to be more oriented towards: total recurring membership numbers; secondary usage of facilities (for example for sports clubs); as well as reputation based indicators including favourable publicity or attendance by notable health and fitness experts. Income for the leisure centres form the basis of both the returns to the leisure centre manager as well as the fees returned to the council. This income comprises things like access charges, gym memberships, and swimming lessons. Likewise, staff remuneration is monitored as part of Watford Borough Council's commitment to promoting a fair living wage, expanded from the national government living wage.

### ***(3) Outcomes that ensure that the partnership is economically viable for both partners***

Importantly, part of this is to ensure that profits are sufficient to incentivise ongoing continuous

improvement and investment in the facilities.

Once these outcomes have been clearly defined, they can form the basis of an open procurement process.

Through publication and signposting, as many market participants were invited as possible. This included inviting the previously engaged providers and leisure centres.

The procurement process was designed to be as open as possible to allow innovation in the proposed delivery of the services.

After the submission period concluded, two strong proposals passed all the qualifying requirements and scored significantly higher against the selection criteria. A final negotiation of terms was undertaken to reach the best possible proposals and the final selection was made.

The winning proposal was selected and the final contracts agreed for a 10 year term with regular mutual review periods. To ensure the sustainability of the partnership, both the council and supplier are encouraged to be open about how the contracts are working and to offer potential improvements to service or value. The contracts include an optional extension to 15 years as part of the incentive for continuous improvement and investment.

A key aspect of the contracted reviews is to provide the council with assurance that the supplier's margins are sufficient to incentivise the outcomes, whilst still remaining good value for the council and users of the leisure centres.

Likewise, the contracts include penalties and break clauses strong enough to protect the interests of the people in the unlikely case of failure of the supplier to achieve the standards expected.

As previously noted, the implementation of this methodology has been demonstrably successful. The facilities were vastly improved, and have since continued to get better year on year. Attendance is at record highs and ongoing demand indicates the model will be sustainable into the future. The centres have been so successful in fact, since the last partnership renegotiations, free swimming on Sundays has been made available to all families residing in Watford.

### **What does this tell us about economic policies for local governments services?**

Too often, private sector involvement in the delivery of public services is misrepresented through an out of context focus on the profits of private companies. This misses the bigger picture, where the financial assessment should actually be about whether the improved efficiencies outweigh the "cost" of the profit incentive.

Ultimately, in a completely unconstrained market the pursuit of profit at expense of everything else, will lead to the expense of everything else. In the example of this case study - prior to the reforms, the council-run leisure centres were failing while the completely private leisure centres were only serving part of the community, specifically users with the ability to pay more for better services.

The previous model of delivery by the council (without profit motive) led to poor quality services, inadequate incentives based purely on the good will of over worked and under paid staff.

The success of the new strategic partnership approach is driven by the contractual relationship between Watford Borough Council and the Service Provider. Ultimately you get what you contract for.

Task-oriented contracts that attempt to detail what needs to be done, often lead to duplication of management effort, and considerable effort in understanding and closing down gaps between intended outcomes and the incentives built into the contract. Task oriented contracts tend to be transactional in nature, which sometimes can be appropriate, especially with simple standardised products.

The new strategic partnership is built around outcomes-focused contracts that afford the service provider freedom to innovate with an incentive to seek out efficiencies that still deliver the contracted outcomes.

By relying on specialist providers, those providers can continually build excellence in their speciality without management being distracted by activities unrelated to the leisure centres. The leisure centre management have been so successful in this specialism they now also manage neighbouring local authority centres at St Albans, Three Rivers and others across Hertfordshire.

Additionally, Watford Borough Council is actively sharing and learning about its role as the asset owner, and to ensure the desired

outcomes are being delivered by the partnership model. As well as undertaking its own inspections of the facilities, collaborating with other local authorities provides semi-independent insights and learning.

Bringing all this together, Watford Borough Council and the centre management have a strategic board attended by senior leadership from each organisation.

### **The contrary view?**

At the Centre for Asset Studies, we like to take a balanced view. While the main argument of this paper is that outcomes-focused contracts can be used by local governments to drive value for local residents whilst reducing cost, it's worth exploring arguments against this.

Firstly, it should be noted that the change of a contracting approach was driven by a change of political administration. Regardless of specific political party - it could be that some of the improvements could have been driven by the fresh approach, with new attention, energy and good political leadership.

Some of the factors that led to the successes could have been achieved without a specialist provider external to the local authority. Some of the improvements could have been delivered internally with a focus on incentive structures, or giving space to management to focus on the leisure centres.

Additionally, the use of external service providers is not risk free. If 'you get what you contract for' then what you get is dependent on your competence in writing and managing contracts.

Contracts cannot account for all eventualities or future events. A current example would include the rippling impacts of the pandemic, from stretched supply chains to staff shortages; the impacts of which could impact a reasonable expectation of a specialist supplier being able to satisfy their contracts. The longer the duration of a contract, the higher the chance that such external factors will impact the project.

Some level of flexibility or appropriate break clauses are needed to allow response to major external changes in market conditions. Additionally, some level of proportionality is required within contracts to account for the complexity of the services and implied uncertainty.

The reality is that unconsidered outsourcing to specialist suppliers is not a silver bullet, and regardless of the model adopted, the best way to deliver good outcomes for residents is to have a considered approach taken by competent and passionate leaders.

### **Prediction of future?**

To sustain continued success of partnerships between councils and private companies, lessons will be learnt from completed projects and can be applied to other areas of council services.

Using the collaborative model outlined in the case study, more local authorities will focus on commercialisation and income generation of services reducing funding through taxation.

Projects will remain focused on outputs; providing excellent services and value of money for users. Outcomes will be reviewed but continue to focus on what is mutually beneficial for the

community, council and the management organisation and what is economically viable for all partners.

### **Alternative predictions**

Ideologically driven termination of the partnership could lead to Watford Borough Council taking direct management of the leisure centre. Loss of incentive structures could lead to politicisation of decision making and disconnection from success factors and the decision makers. This would lead to the overall decline in conditions, with those who can afford to do so, leaving to go to private leisure centres leaving the facilities unsustainable.

Further, ideologically driven privatisation of leisure centres will provide short term financial returns but ultimately will lose the outcomes-focused approach of local authorities. This approach ensures that outcomes are not delivered by a completely unconstrained free market.

### **Conclusions**

In this case study, we have argued that outcomes-focused contracts - whereby local government partners with external service providers - can deliver both value for the community whilst reducing cost. This is presented as an alternative to services which are completely council-run or completely private.

Carefully designed procurement processes ensured that the best possible provider was selected to fit the needs of the community. Using this model, leisure centres which had previously been operating at a loss, have been transformed in terms of services provided, and now provide a positive revenue for the local authority.

### **Acknowledgements**

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#### **Profile: Peter Taylor**

First elected as a borough councillor in 2012, Peter went on to be elected as mayor in 2018, and re-elected in 2022.

As elected mayor, Peter is the Leader of Watford's district (borough) council, chairing the cabinet and major projects forum.

Having studied economics and politics at the University of Edinburgh, Peter's first job was as a parliamentary researcher for Rt Hon Alistair Carmichael MP. During this time, Peter completed his PGCE, had a successful career as a teacher, and then moved into an education advisory role.

#### **Profile: Watford Borough Council**

Watford Borough Council is the local authority for the Watford district, in the south-west of Hertfordshire in the East of England region of the United Kingdom.

The council has a variety of asset management roles, typically as the asset owner or representative for primary asset users. As an owner, the council has responsibility for significant community assets including the leisure centres featured in this article, as well as Watford Palace Theatre, Watford Coliseum, and the many award-winning parks and green spaces.

The council delivers lifecycle management for a wide range of other asset groups, with a diverse portfolio including: car parks, some housing, caravan sites, public conveniences, refuse collection, recycling and transfer facilities, as well as some public and visitor information furniture. Within the council's responsibility for transport, initiatives have been delivered including a bike hire scheme, a local transport mobile application, and an on demand bus service (arriva click).

The council also have other asset management roles including: management of asset finances (from revenue generation, taxation, and expenditure); asset operations; management of service delivery (including compliance management for environmental health and food safety); strategic planning (including town master planning and planning permissions, as well as management of a facilities asset board focused on maximising community benefit) and asset risk management (including a key role in crisis management, holding the core framework for decision making).

#### **TL:DR**

1. Public-Private partnership models can increase asset value and minimise costs.
2. Commercial decision making should start with the end in mind: what gets contracted gets delivered.
3. Open and transparent partnerships build trust and allow identification of best practice.