

Approval to waive CPR 8.1 and 8.2 and award a contract to Direct Parts Supply Ltd, trading name Gym-Fit, for the Servicing and Maintenance of Fitness Equipment for 12 months due to the cancellation of the contract with Amazon Leisure.

Date: 05.10.21

Report of: Head of Active Leeds

Report to: Chief Officer Operations and Active Leeds

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

1.0 What is this report about?

This report explains the need to seek approval for a direct award via a waiver of Contracts Procedure Rules (CPR) 8.1 and 8.2 to **Direct Parts Supply Ltd**, trading name **Gym-Fit**, for servicing and maintenance of fitness equipment for Active Leeds for 12 months due to the previous supplier Amazon Leisure cancelling their contract with the Council due to a change in business direction. The Council requires a contract to be in place as a matter of priority to ensure public safety and the Council's ability to provide services to the level of quality and technical proficiency required. A 12 month contract is recommended in order to allow Active Leeds the time to properly scope out a new full procurement exercise.

1.1 Background

Active Leeds operates 17 leisure centres across the city and within those facilities are 12 fitness gyms. The fitness product and the monthly memberships associated is the largest income generator for Active Leeds.

The current fitness equipment supplier, Technogym includes 5 years of servicing and maintenance when Active Leeds purchases their fitness equipment. After the 5 years, the maintenance and servicing is provided by Amazon Leisure. Amazon Leisure will service and maintain all makes and models of fitness equipment including Life Fitness equipment that is used in some Active Leeds leisure centres. Technogym will not provide servicing and maintenance for other suppliers or manufacturers of fitness equipment.

Amazon Leisure have given notice on their contract with Active Leeds due to change in business direction. Therefore, there is an immediate requirement for Active Leeds to arrange for another servicing and maintenance solution, to ensure Active Leeds continues to repair and maintain fitness equipment promptly and safely.

Active Leeds plans to refurbish 3 sites within the next year so this is a short-term solution for some facilities. However, more sites will come out of their 5-year agreement with Technogym and therefore this short-term solution gives the opportunity to plan for a larger tender in 2022/2023.

1.2 Including how it contributes to the city's and council's ambitions

- Health and Wellbeing – Active Leeds's fitness equipment is essential in supporting over 19,000 health and fitness customers with their fitness journeys and supports people to improve their health and wellbeing, especially after the COVID pandemic.

1.3 Recommendations

- a) The Chief Officer Operations and Active Leeds is recommended to approve a Waiver of CPR 8.1 and 8.2 and award a contract to **Direct Parts Supply Ltd**, trading name **Gym-Fit**, for the provision of servicing and maintenance of fitness equipment for a period of 12 months from October 2021 to replace the previous contract with Amazon Leisure. The value of the contract is estimated to be £55k. By awarding a contract for 12 months, this will give the opportunity for Active Leeds to go to the market and undertake a full tender procurement to find a longer-term solution.
- b) The Chief Officer Operations and Active Leeds is also recommended to give approval to begin the tender process with a full procurement to search for a replacement supplier to provide a service and maintenance contract for fitness equipment at Active Leeds centres commencing October 2022. The contract is likely to increase in value in 2022/2023 as more centres and more equipment will require service in 2023 onwards. The value of the tendered contract is estimated to be £150k in 2023.

2.0 Why is the proposal being put forward?

2.1 Business Critical

It is essential that a contract is in place to regularly service and maintain fitness equipment to ensure we operate a safe environment for customers to use the fitness gyms. If fitness equipment isn't kept in a good state of repair this can impact the reputation of Active Leeds and compromise the safety of customers.

Poorly maintained fitness equipment that is out of order regularly due to lack of servicing is poor customer service. Therefore, poor customer service increases the risk of customers leaving the services provided by Active Leeds. As a result, this increases the risk of customers cancelling their memberships, reducing the income to Active Leeds and increases the possibility that Active Leeds will not reach their financial targets.

Many people across Leeds rely on Active Leeds fitness gyms to support good mental and physical wellbeing. If the equipment is not serviced correctly and equipment is not usable, this could impact directly on customers. Therefore, reducing the health and wellbeing of customers and residents.

2.2 Value for Money

Active Leeds have completed soft market testing of suppliers that provide servicing and maintenance of fitness equipment and found that other suppliers can provide the same standard of service and genuine parts.

Gym-Fit can supply an improved service compared to Amazon Leisure that is also more cost effective.

Technogym was also considered; however Active Leeds would also need another servicing supplier along with Technogym because Technogym will not service fitness equipment from other manufacturers. Using Technogym to service their own equipment after the 5-year agreement is cost prohibitive and Gym-Fit represent far better value for money.

2.3 Reaction to unforeseen circumstances

The cancellation of the Amazon Leisure contract is unforeseen and could be a safety and business risk if not resolved. Active Leeds needs to respond in a fast and agile manner to continue to provide a fitness product that is safe and high standard.

2.4 Why does Active Leeds recommend that Direct Parts Supply Ltd, trading name Gym-Fit, become our supplier for servicing and maintenance of fitness equipment?

Direct Parts Supply Ltd, trading name **Gym-Fit**, is the UK's largest independent supplier of spares for all commercial makes of Fitness Equipment as they are a supplier of parts, they will be able to offer the quickest repair times possible.

Technogym cannot provide a service that covers all equipment as it will not provide cover for Lifefitness Equipment.

Direct Parts Supply Ltd, trading name **Gym-Fit**, also offer an onsite Gym Upholstery recovering service.

The call out charges with Direct Parts Supply Ltd, trading name Gym-Fit are less than what we currently pay Amazon Leisure.

2.5 What impact will this proposal have?

- a) Active Leeds continues to provide a safe and effective service to its customers and prepaid members.
- b) Active Leeds will be able to service and maintain all equipment regardless of manufacturer.
- c) Active Leeds will save money compared to using two suppliers.
- d) By paying for what we use, this will give a true reflection of costs that we can build into future procurements and therefore are able to give detailed requirements to suppliers wanting to tender for contracts.

Wards affected: Citywide

Have ward members been consulted? ☐ Yes ☒ No

3.0 What consultation and engagement has taken place?

3.1 Internal Consultation within Active Leeds.

Active Leeds has consulted with Leisure Centre Management Teams to understand the amount and type of maintenance activity that occurs within the Fitness Gyms. Each centre collated information from their maintenance logs on actions from the previous 2 years.

There was also consideration that equipment was not used for over 6 months last year due to COVID lockdown and restrictions. Wear and tear through the COVID pandemic were less than normal and therefore equipment was at less risk of damage and needing repair.

Each centre identified from the maintenance logs what was considered an essential or non-essential visit from Technogym or Amazon Leisure. This builds a picture of what type of breakdowns happened and what required parts and specialist labour. See appendix a.

Table 1. Cost of servicing with Amazon Leisure

Annual Cost 19/20	Costs relating to Fitness Gym Upgrades	Cost related solely to wear and tear
£63,241	£20,823	£42,418

Table 2. Amazon Leisure – Call outs and Repair Cost

Call Out Costs	Parts and Labour	Total Cost
£12,222	£30,196	£42,418

Table 3. Call Outs for Breakdowns

Based on the information for 2019/2020, there were the following call outs to Active Leeds Equipment

Contract	
Amazon Leisure	97
Technogym	237
Total	334

3.2 Soft Market Testing

Active Leeds contacted the main suppliers from across the UK for servicing of fitness equipment and maintenance. There are 3 main companies that can provide this service. Active Leeds engaged with these companies to provide the following requirements.

- 2 service visits per venue for preventive maintenance per year.
- Access to genuine parts
- Replacement of upholstery, if required
- Call out fees for unplanned breakdowns.

3.2.1 Technogym

- Provided an all-inclusive price for one site of £32,268. They don't operate a pay per call out system. (See background paper 1.)

3.2.2 Gymfix

- This company can provide the service required but will not quote due to a pre-existing contract with Technogym. Technogym will use Gymfix to carry out their servicing and maintenance agreements with other fitness gym providers. (See background paper 2.)

3.2.3 Gym-Fit (Direct Parts Supply Ltd)

- Provide a flexible Preventive Service Plan for Fitness Gyms - £9,295 (see appendix b)
- Call outs at £95+ vat for each call out
- Can provide genuine parts for all equipment
- They provide an onsite Gym Upholstery recovering service.
- See background paper 3.

3.3 What are the resource implications?

3.3.1 Breakdowns and Call Outs

Breakdowns that require a call out are very difficult to quantify and predict. However, there is some rational around the number of breakdowns and the type of breakdowns that can lead us to estimate the number and the costs of parts and labour.

- The volume of call outs to Technogym is inflated because the cost of maintenance is covered within the initial price for equipment. It is free to call out Technogym, within the initial 5 years and therefore every minor repair is reported.
- Within the information gathered, there is approximately 2 serious breakdowns per month in the Fitness Gyms with 80 pieces of equipment. Therefore, for Armley, John Smeaton, Rothwell and Morley the estimated breakdowns are based on this assumption. Morley have 110 pieces and has been increase accordingly.
- Breakdowns for Aireborough, Middleton, Holt Park and Scott Hall are based on equipment outside of the Technogym service contract and is limited to a couple of breakdowns for spin bikes or fitness equipment supplementing fitness classes.
- The fitness classes that use fitness equipment was mainly those delivered by Health Programmes. These types of classes have been replaced with classes that need less equipment. This equipment was 10 years old plus and is now ready for part exchange or disposal.
- John Charles, Pudsey and Wetherby are all due for refurbishment. They will need a limited amount of call outs as they will have the Technogym service contract in place soon. However, where older spin bikes remain, there is a need for some breakdown cover.
- Fearnville is the only site that doesn't have any cover from Technogym as it doesn't have new Technogym equipment. Therefore, this is the only venue that needs like for like servicing from Gym Fit Ltd.

Table 4. Estimated Breakdown that requires call outs.

Venues	Call Outs	Comments
a) Aireborough	2	Technogym Contract now in place
b) Armley	25	Comes out of Technogym contract
c) Fearnville	25	No change
d) Garforth	5	Due refurbishment
e) Holt Park	6	No change, Technogym contract in place
f) JCCS	10	Due refurbishment
g) John Smeaton	25	Comes out of Technogym contract
h) Kirkstall	2	No Change
i) Morley	35	Comes out of Technogym contract
j) Middleton	2	Technogym Contract now in place
k) Pudsey	5	Due refurbishment
l) Rothwell	25	Comes out of Technogym contract
m) Scott Hall	2	No change, Technogym contract in place
n) Wetherby	5	Due refurbishment
Total	174	

Estimated Cost of Call outs - £16,530.00

Note: All quotes do not include VAT.

3.3.2 Parts and Labour

Parts and Labour are difficult to predict. Some breakdowns are simple but any replacement for digital screens can be costly. There are couple of assumptions that can be made to estimate costs.

- The equipment that is coming off service contract with Technogym is new and wasn't used during the lockdowns. Therefore, will be in better working order than equipment that is older.
- Technogym is the market leader for fitness equipment and lifespan of equipment is estimated from 7 to 10 years depending on usage and full-service history.
- Previous costs with Amazon Leisure included equipment that was older and at end of use stage. This cost more to maintain that newer equipment.
- The estimate for call outs for Amazon Leisure replacement is approximately double that of the last full year of trading. While type of breakdowns should be cheaper to fix, approximately 50%, the volume is double. Therefore, a sensible estimation is 80% - 100% of 2019/2020 costs
- Total costs ranging from **£24,000 to £30,000** for all the equipment in scope. This doesn't include VAT.

Table 5. Estimated Costs from Servicing and Maintenance.

Supplier	Contract Length	Total Cost -VAT not included
Technogym	Could only provide details for own equipment and for one site.	£32,268 all-inclusive cost One Site only. Cost per piece of equipment per annum £403 Estimate to cover 5 sites (430 pieces) for 1 year - £173.290
Gym-Fit (Direct Part Supply Ltd)	1 Year and flexible	Preventative Maintenance - £9,295.00 Estimated Call Outs - £16,530.00 Estimated Parts and Labour – £24,000 - £30,000 Total Costs - £49,825 to £55,825
Gymfix	Could not provide details	Could not provide details

3.3.3 In conclusion.

- Gym-Fit can supply a full service and the same product and services for approximately £117,000 less than Technogym.
- In the case of using Technogym, Active Leeds would still need another supplier to service equipment that wasn't Technogym, therefore the cost would be much greater.
- Even at the highest estimate for using Gym-Fit, the cost for the next 12 months is less that what was paid to Amazon Leisure for 2019/2020

3.4 What are the legal implications?

3.4.1 This is a Significant Operational Decision and is not subject to Call In. There are no grounds for treating the contents of this report as confidential under the Council's Access to Information Rules.

3.4.2 The value of the direct award detailed within this report is below the threshold for the application of the Public Contracts Regulations 2015 for the procurement of public services contracts and therefore it is not subject to the full procurement rules. However, CPR 8.1 and 8.2 require competition for procurements valued £25k to £100k. A waiver of CPR 8.1 and 8.2 using the authority set out in CPR 1.3 is required to award a contract direct to this provider.

3.4.3 Awarding the contract direct to Gym-Fit in this way could leave the Council open to a potential claim from other providers, to whom this contract could be of interest, that it has not been wholly transparent. In terms of transparency, it should be noted that the Council should always consider whether contracts of this value should be subject to a degree of advertising in order to ensure that opportunities are made available to all potential contractors and that value for money is obtained. It is up to the Council to decide what degree of advertising would be appropriate. In particular, consideration should be given to the subject-matter of the contract, its estimated value, the specifics of the sector concerned (size and structure of the market, commercial practices, etc) and the geographical location of the place of performance.

3.4.4 The Chief Officer Operations and Active Leeds has considered this, and due to the nature of the services being delivered, short duration, and value for money offered, is of the view that the scope and nature of the services is such that it would not be of interest to other providers if an opportunity was advertised. A full procurement exercise will be undertaken in the next 12 months for any future contract and interested providers can tender for this.

3.4.5 There is a risk of an ombudsman investigation arising from a complaint that the Council has not followed reasonable procedures, resulting in a loss of opportunity. Obviously, the complainant would have to establish maladministration. It is not considered that such an investigation would necessarily result in a finding of maladministration however such investigations are by their nature more subjective than legal proceedings.

3.4.6 Although there is no overriding legal obstacle preventing the waiver of CPR 8.1 and 8.2, the above comments should be noted. In making their final decision, the Chief Officer Operations and Active Leeds should be satisfied that the course of action chosen represents best value for the Council.

4.0 What are the key risks and how are they being managed?

4.1 Financial Risks

Underestimated the amount of call outs and cost of repairs.

- The contract will be managed through monthly performance meetings and spend on repairs evaluated. This information will be shared with centre management teams to regulate spend to essential only.
- Venues will rotate equipment that is used frequently to even the wear and tear across the equipment stock, reducing the possibility of major breakdown.
- Preventative maintenance plan in place to reduce the chance of equipment breaking down due to minor problems and reduce the amount of call outs.
- All spend on repairs will be agreed with Centre Manager's. Some older equipment maybe beyond repair and therefore, requires replacement rather than repair.

Supplier goes out of business

- Regular conversations with other authorities and providers that use Gym-Fit.
- There is always a risk that suppliers will unfortunately go out of business. By limiting the direct award to 12 months, it gives the opportunity to create a full procurement and bring other providers into scope.

4.2 Reputational Risks

There is a risk if a service contract is not in place that the standard of customer service will reduce and customers will leave Active Leeds services, resulting in loss of income for Active Leeds.

- Preventive maintenance planning and stock rotation will reduce breakdowns.
- There is a 24-hour target for breakdowns. This will ensure that equipment is out of order for a minimum amount of time. When breakdowns require parts or specialist equipment, we can inform customers of the situation to reduce complaints.

Poor Standard of Repairs

- All repairs will be logged and checked by centre management teams.
- Quality of service and repairs will be discussed in monthly performance meetings.

4.3 Health and Safety Risks

Injury to customers or staff by using the equipment.

- Putting a service contract in place will not compromise the health & safety of our customers and equipment will not get in a state of disrepair.
- There are daily checks for all equipment and ensures that staff assess the equipment daily, so it is in good working order.

4.4 Does this proposal support the council's three Key Pillars?

☐ Inclusive Growth ☒ Health and Wellbeing ☐ Climate Emergency

Having fully operational health and fitness facilities available at Leisure centres enables Active Leeds members, customers and the public of Leeds access to safe, well maintained state of art health and fitness equipment which is fundamental for positive mental health and physical wellbeing.

5.0 Options, timescales and measuring success

5.1 What other options were considered?

Other gym repairs companies have been contacted by Active Leeds. Gym Fix are the only supplier who are a supplier of official gym equipment parts as well as offering service and maintenance contracts. However, they couldn't tender as they have a pre-existing agreement with Technogym and cannot supply a quote.

5.2 How will success be measured?

- By having a high-quality service that doesn't have complaints about equipment being out of order.
- Customer satisfaction questionnaires delivered through the Active Leeds app.
- To be able to create an accurate tender document in Spring 2022 that provides a competitive procurement process and ensures value for money for Leeds City Council.

5.3 What is the timetable for implementation?

Task	Start	Deadline	RAG
Notice given by Amazon Leisure	17 th June 2021	17 th Sept 2021	G
Soft Market Testing with suppliers	June 2021	August 2021	G

Consultation within Active Leeds	June 2021	August 2021	G
DDN Report and approval	October 2021	October 2021	Y
New supplier starts	October 2021	October 2021	Y
1 st service visits	October 2021	October 2021	Y
Monthly contract monitoring meetings	31 th October 2021	End of each month	Y
Procurement of long-term service and maintenance supplier starts	October 2021	June 2022	Y
6-month performance review	April 2022		Y
2 nd service visits	April 2022	May 2022	Y
9-month performance review / confirmation of contract situation	June 2022		Y
New long-term provider of service and maintenance starts	October 2022		Y

6.0 Recommendations

- a) The Chief Officer Operations and Active Leeds is recommended to approve a Waiver of CPR 8.1 and 8.2 and award a contract to **Direct Parts Supply Ltd**, trading name **Gym-Fit** for the provision of servicing and maintenance of fitness equipment for a period of 12 months from October 2021 to replace the previous contract with Amazon Leisure. The value of the contract is estimated to be £55k. By awarding a contract for 12 months, this will give the opportunity for Active Leeds to go to the market and undertake a full tender procurement to find a longer-term solution.
- b) The Chief Officer Operations and Active Leeds is also recommended to give approval to begin the tender process with a full procurement to search for a replacement supplier to provide a service and maintenance contract for fitness equipment at Active Leeds centres commencing October 2022. The contract is likely to increase in value in 2022/2023 as more centres and more equipment will require service in 2023 onwards. The value of the tendered contract is estimated to be £150k in 2023.

What is your reason for waiving CPRs?

There is a genuine, unforeseeable emergency meaning there is no time to go through a procurement process e.g. to deal with the consequences of extreme weather.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
To purchase supplies or services on particularly advantageous terms due to liquidation/administration.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Requirement to put a contract in place with a current provider whilst a review of the services is completed.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Ran out of time to undertake a new procurement exercise	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Other (please provide summary here) As stated in the report. The previous supplier gave short notice they were ceasing operations and unable to continue servicing gym equipment in Active Leeds centres This report identifies why Direct Parts Supply Ltd, trading name Gym-Fit represents the best value option at this time.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Appendix A. Spend with Amazon 2019/2020 and Service Call Outs

Amazon 2019/2020	Total Spend	No call outs	Technogym No call outs	Comments
Storage	£ 1,270.00	0		One costs relating to gym refurbishments
Aireborough	£ 6,770.00	12	4	Refurb 2020 with Technogym equipment but would need contract for other equipment.
Armley	£ 285.00	1	13	Come out of Technogym contract in Sept 2021
Fearnville	£ 4,006.00	23	0	Same equipment to be serviced. Not due for refurbishment
Garforth	£ 7,360.00	8	0	Included an upgrade to Fitness Gym within the spend. Technogym refurbishment due
Holt Park	£ 1,973.00	6	30	Refurb 2020 with Technogym equipment but would need contract for other equipment.
JCCS	£ 18,228.00	14	0	Included an upgrade of the Fitness Gym. Technogym refurbishment due
John Smeaton	£ 85.00	2	37	Comes out of Technogym contract in 2022
Kirkstall	£ 124.00	1	0	No Fitness Gym only fitness class equipment
Morley	£ 1,576.00	7	74	Has some non- Technogym equipment
Middleton	£ 1,815.00	4	0	Refurb 2021 with Technogym equipment but would need contract for other equipment.
Pudsey	£ 11,226.00	16	4	Included an upgrade to Fitness Gym. Technogym refurbishment due
Rothwell	£ 433.00	2	54	Has some non- Technogym equipment
Scott Hall	£ 71.00	1	21	Has some non- Technogym equipment
Wetherby	£ 8,019.00	97	237	
	£ 63,241.00			

Appendix B –Gym-Fit (Direct Parts Supply Ltd), Service Specifications – Preventative Maintenance

Leisure Centre	Fitness Gym Service	Spin Bike Service	Services required	Total	Comments
Armley	£1220		2	£2440	Will require call outs due to TG contract expired
John Charles	£590		1	£590	Due refurbishment, short term service required
John Smeaton	£590		2	£1080	Will require call outs due to TG contract expired
Morley	£995	£185	2	£2360	Will require call outs due to TG contract expired
Pudsey	£590	£185	1	£775	Due refurbishment, short term service required
Rothwell	£680	£185	2	£1730	Will require call outs due to TG contract expired

Wetherby	£320		1	£320	Due refurbishment, short term service required
Total				£9295	Not including VAT

8.0 Background papers

None