

Overview and Scrutiny Committee Report
Ward(s) affected: whole borough
Report of Director of Services Delivery
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Operation of Leisure Management Contract 2019-20

Executive Summary

Each year, a review of the Annual Report from Freedom Leisure (FL) is undertaken. This report outlines the process by which this is carried out and also gives a summary overview of the contractor's performance on its operation of the Council's leisure facilities; Guildford Spectrum, Guildford Lido and Ash Manor Sports Centre for the ninth contract period (from 1 April 2019 to 31 March 2020). The contract year was cut short slightly (by 10 days) due to the closures associated with the Covid-19 pandemic.

The Council entered into a 10-year Leisure Partnership Agreement (LPA) with Greenwich Leisure Ltd (GLL) with effect from 1 November 2011. GLL has subcontracted the service to Wealden Leisure Limited trading as Freedom Leisure.

The LPA is a substantial document which includes as one of its component elements a detailed service specification specific to each site covering all aspects of service delivery, e.g., opening and closing hours, water and air temperatures, maintenance regimes, health and safety compliance requirements, staffing levels and qualifications. It also sets out the objectives for the service provision.

The performance of the contractor has been monitored across the sites against set criteria by the Council's Leisure Client team.

The operation of the catering offer at Guildford Spectrum, which used to be operated externally until FL took over the direct catering provision in 2016, is linked to, but does not fall directly within the LPA.

The 10 Year Plan (also known as the Life Cycle Maintenance Programme or 'LCM' Programme) that was produced and agreed by GLL, FL, and officers continues to play an important part in reflecting the level of investment that is likely to be required for plant and equipment at each site during a 10 year period. Work on the life cycle maintenance plan has been significantly restricted due to the closures and the direct financial impact of the pandemic.

The full annual report for the contract period 2019/20 is shown at Appendix 1. The table in Section 4 shows a selection of the key performance indicators from the operator agreement. The reported year's figures for 2019/20 indicate a reported deficit of

£43,667 and therefore no additional payment is due the council.

The Council receives a management fee in monthly instalments for the operation of the venue. £1,071,469 was received in 2019/20.

The pandemic closure has impacted on the financial outturn figures for the leisure partnership agreement. Regardless of the pandemic, turnover was significantly down at Spectrum and Lido. At Spectrum, the pools, event income and catering have all shown a drop in turnover. There have been some reductions in expenditure which offset part of the fall in income. At the Lido, the fall in income was primarily due to the weather.

In the opinion of the Client team, operationally the performance of FL has been generally acceptable during the period.

A sub-group of three councillors volunteered to represent the Overview and Scrutiny Committee (Scrutiny sub-group) to consider the FL Annual Report in detail. The sub-group were generally happy with the day to day operation of the facilities but expressed concern over the level of investment, the rise in customer complaints and the long term strategy to address energy consumption. The minutes of the Annual Report presentation that took place via Microsoft Teams on 17 December are included in Appendix 2.

Suggested items for Overview and Scrutiny to consider

That the committee considers and comments on:

- (1) the performance of FL in relation to the operation of Guildford Spectrum, Guildford Lido and Ash Manor Sports Centre detailed in Appendix 1
- (2) the list of LPA objectives detailed in item 3.4

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1 To provide an overview of performance of the leisure contractor operating Guildford Spectrum, Guildford Lido and Ash Manor Sports Centre for the contract year period 1 April 2019 to 31 March 2020.
- 1.2 To provide councillors with an opportunity to comment on the process of the Scrutiny sub-group's review of FL's annual report presentation.

2. Strategic Priorities

- 2.1 The provision of the services detailed within this report support the Corporate Plan in respect of the Community theme in **enhancing sporting, leisure, cultural, community and recreational facilities**;
 - by attracting visitors to the Borough and making Guildford a more attractive place to live in. The venue offers a range of employment opportunities and facilities that businesses need.
 - through providing an enhanced leisure offer in an attractive, vibrant town.
 - through promoting physical activities and contributing to public health.

3. Background of the contract

- 3.1 The Council entered into a 10-year Leisure Partnership Agreement (LPA) with Greenwich Leisure Ltd (GLL) with effect from 1 November 2011, to deliver leisure services throughout the borough at Guildford Spectrum, Guildford Lido and Ash

- Manor Sports Centre. GLL has subcontracted the service to Wealden Leisure Limited trading as Freedom Leisure (FL).
- 3.2 A very detailed and complex contractual agreement, the Leisure Partnership Agreement (LPA), is in place between GLL and the Council. GLL and FL have a contractual agreement that mirrors the contents of the LPA.
- 3.3 The LPA is a substantial document which includes as one of its component elements a detailed service specification specific to each site covering all aspects of service delivery, e.g., opening and closing hours, water and air temperatures, maintenance regimes, health and safety compliance requirements, staffing levels and qualifications.
- 3.4 The LPA sets out the following objectives for the service provision:
- to improve the health and well-being of their communities through increased participation
 - to use sport and leisure to bring communities together
 - to enable access to services by specific groups with identified needs
 - to encourage and provide affordable and sustainable local facilities and services
 - to explore partnerships with other organisations where these will benefit the community
 - to work with clubs and voluntary organisations in the borough to develop their activities and skill levels
 - to encourage investment in the facilities to maintain and enhance the quality of service
 - to bear in mind the rights, needs, and aspirations of facility users and staff
 - to demonstrate value for money and continuous improvement
 - to recognise and maximise commercial opportunities in the facilities
 - to improve the financial 'bottom line' of the Council.
- 3.5 This report reviews the ninth contract period from 1 April 2019 to 31 March 2020. The performance of the contractor has been monitored across the sites over a number of criteria.
- 3.6 The operation of the catering offer at Guildford Spectrum is linked to, but does not fall directly within, the LPA.
- 3.7 Historically the catering was outsourced and generated in excess of £400k rental income annually. Due to the poor performance of the external company, FL took the catering operation in house as it was impossible to get a third party to commercially offer anything like the previous rental income. 2019/20 is the fifth full year of the catering being managed in this way.
- 3.8 FL decided to take over the direct operation of the vending at Guildford Spectrum in 2017. A third-party company had previously operated the vending provision with the income declared into the LPA accounts, however in 2018 FL chose to declare the income and expenditure associated with their operation of the vending provision through the catering account.

- 3.9 One of the indirect impacts of Covid is that FL staff have been furloughed for a significant portion of time since the end of this accounting period. This means they have been unable to provide all the information that would normally be included within the annual report and this includes a separate catering profit and loss account. This will make direct financial comparison with previous years very difficult.

Overview of the existing monitoring arrangements

- 3.10 The Council's Leisure Client team monitor the LPA. Normal monitoring includes regular formal meetings and monthly asset meetings, daily discussions with key FL personnel and regular visits to site, specific walk rounds to monitor service delivery, assessment of information provided by FL, regular use of the facilities as a customer, and formal and informal discussion with customers, partners, and FL staff.
- 3.11 Quarterly formal client monitoring meetings are diarised considering a standard agenda covering financial performance, technical issues, quality of service including customer comments, marketing development, and health and safety.

4. Performance of the Contractor – Key Performance Indicators

- 4.1 The following tables below show a selection of the key performance indicators from the operator agreement relating to financial performance, operating performance and catering financial performance. There will have been an impact as a result of the Covid closure to all key performance indicators unless indicated otherwise.

KPI – Key Financial 'LY' = 2018/19	Spectrum	Lido	Ash	Contract	Notes
Income (£) *combined LPA and catering income	10,987,480 (LY) 11,344,499	489,103 (LY) 722,551	401,234 (LY) 387,644	11,877,817 (LY) 12,454,694	The 2018/19 figures for the Lido were exceptional, owing to the successive spell of hot weather which drove footfall & the introduction of online bookings
Expenditure (£) *combined LPA and catering expenditure	9,748,303 (LY) 10,000,209	605,665 (LY) 715,525	346,442 (LY) 338,447	10,700,410 (LY) 11,054,181	Inc central support charges Exc. management fee & repayments
Management fee & repayments* (£)	1,288,637 (LY) 1,265,657	(108,337) (LY) (101,889)	40,774 (LY) 41,924	1,221,074 (LY) 1,205,692	Management fee element (£1,071,469) Will not have been affected by covid closures.
Net contract surplus/ (deficit)	(49,460)	(8,225)	14,018	(43,667)	

- 4.2 FL's approach to the chart of accounts differs to the approach used within their bid calculations. As we are now in the ninth year of the contract, the bid figures are no longer therefore relevant for comparative purposes.

- 4.3 A small part of the fall in income can be attributed to the 10 day closure due to the pandemic, however the size of the fall (£576,877) would still have been significant had the facilities remained open. The overall position was a deficit of £43,667. As a result, no additional payment is due to the Council.

KPI –Key Operational LY = 2018/19	Spectrum	Lido	Ash	Contract	Bid or previous year	Notes
Attendances	1,707,671 (LY) 1,761,509	69,583 (LY) 132,800	84,233 (LY) 84,833	1,861,487 (LY) 1,979,142	BID 1,920,399	
Memberships	3,738 (LY) 2,522	110 (LY) 72	659 (LY) 612	4507 (LY) 3,206	(18/19) 3,206 (17/18) 3,456 (16/17) 3,685	Not a direct comparison as new memberships were introduced and a breakdown not available from 2018/19 to confirm like for like comparison
Active card	n/a	n/a	n/a	26,210	(LY) 29,940	Will not have been affected by Covid closures.
Green Active card (concessions)	n/a	n/a	n/a	5,281	(LY) 4,353	Will not have been affected by Covid closures.
Overall customer satisfaction rating	- (LY 81%)	- (LY 90%)	- (LY 94%)	n/a	n/a	Exercise not undertaken this year
Compliment	n/a	n/a	n/a	187 (LY 151)		See pages 20-21 of Appendix 1 for summary of statistics
Complaint	n/a	n/a	n/a	721 (LY 579)		
Comment/suggestion	n/a	n/a	n/a	85 (LY 99)		

- 4.4 In the opinion of the Leisure Services Client team, operationally the performance of the contractor against the above operational KPI's has been generally acceptable during the period. Memberships appear to be a significant improvement compared to previous years where it was declining year on year, however the number of complaints has increased despite attendances being down.

KPI – Key Catering Financial	2019/20	2018/19	2017/18	Notes
Spectrum Catering Income	1,860,255	1,929,347	2,059,577	Figures for 2017/18 affected by profit claim for closures (£16,378)
Spectrum Catering Expenditure	1,508,231	1,422,300	1,594,691	Figures for 2017/18 affected by profit claim (reduced expenditure) for closures
Spectrum Catering Profit	352,024	507,047	464,886	2019/20 figure would have been affected by the early closure as a result of the pandemic.

- 4.5 The available figures indicate a decline in overall catering performance in the period (compared to the previous year), however a profit of £352,024 was still achieved. The catering performance will have been affected by the closures as a result of the pandemic as they effectively lost 10 days income.
- 4.6 Work on the life cycle maintenance plan has been significantly restricted due to the closures and the direct financial impact of the pandemic. The financial impact of the pandemic has created a bigger shortfall than would have otherwise been the case in the funding for the lifecycle maintenance plan.
- 4.7 Freedom Leisure's full annual report for the contract period 2019/20 is shown at Appendix 1.

5. Health & Safety

- 5.1 In the contract year, there were 805 accidents across the Guildford contract (93 more than last year). This equates to 0.43 accidents per 1,000 visits, against the industry threshold of 1 accident per 1,000.
- 5.2 There were five incidents during the period that required reporting to the Health & Safety Executive (HSE) under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations). Three of the incidents occurred at Guildford Spectrum, and the other two incidents occurred at Guildford Lido.

6. Overview and Scrutiny sub group monitoring process 2019/20

- 6.1 A sub-group of three councillors (Councillors Booth, Potter, and Manning) volunteered to represent the Overview and Scrutiny Committee (Scrutiny sub-group) to consider the FL annual report in detail.
- 6.2 The sub-group and the Lead Councillor for Environment, James Steel, received a detailed briefing on the contract from the Council's Leisure Client team in advance of the remote Annual Report Presentation by Freedom Leisure. Those that were unable to attend the briefing were provided with copy briefing papers and were given the opportunity to ask any questions.
- 6.3 The presentation of the annual report took place on Thursday 17 December 2020. The Freedom Leisure Contract Manager, Mark Purnell, delivered a presentation via Microsoft Teams to the Lead Councillor (Councillor James

Steel), the sub-group (Councillors Booth, Potter, and Manning), the Leisure Client Team, and the Director of Service Delivery.

- 6.4 The sub-group considered the contents of the report and asked a number of questions relating to customer feedback, membership prices, and investment in the facilities, as well as re-opening plans for the Lido in particular. The minutes, which were circulated to the sub-group for any further questions/comments, can be found at Appendix 2.
- 6.5 In summary, the Scrutiny sub-group;
- were broadly happy with the day to day operation of the facilities during the period
 - had some concerns relating to the level of investment and the long-term impact this would have on each venue
 - expressed a need for a long-term strategy to reduce the carbon footprint of the leisure facilities, the Spectrum in particular
 - expressed reservations over the lack of financial information within Freedom Leisure's Annual Report submission
 - asked a number of questions in relation to the customer feedback section to obtain further clarification of the nature of complaints and reasons for these. The sub-group expressed a desire for Freedom Leisure to undertake more detailed analysis of the reasons for complaints and propose ways of addressing these
 - were also keen to understand what Freedom Leisure are doing to stay competitive within the market and retain their members particularly given the challenges the pandemic will continue to present.

7. Financial Implications

- 7.1 The council receives a management fee in monthly instalments for the operation of the venue. £1,071,469 was received in 2019/20. This includes £90,000 (plus subsequent Retail Price Indices (RPI) increases) to reflect projected efficiency savings through the joint award of both the Guildford and Woking leisure contracts to the same contractor. This management fee is subject to RPI adjustment each year for the ten-year life of the initial contract.
- 7.2 If FL exceeds the financial performance detailed within their bid, 100 per cent of any surplus comes to the Council with 50 per cent of the surplus ring-fenced for spending on the three venues in the contract and 50 per cent allocated by the Council for any purpose of its choosing. Conversely, should the operator fail to achieve the targeted level of net income, they would still be responsible to pay the full contracted sum to the Council.

8. Legal Implications

- 8.1 Section 3 of the Local Government Act 1999 requires that the Council as a best value authority “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Reviewing and, where required, monitoring the Council’s contractual approach is an important way in which that obligation can be fulfilled.
- 8.2 Any formal changes to the current contractual arrangements will have to be agreed with GLL/Freedom Leisure and varied by agreement.
- 8.3 As the Overview and Scrutiny Committee has no decision-making powers, any recommendations that may arise would need to be referred to the relevant decision-making body of the Council for a decision.

9. Human Resource Implications There are no HR implications arising from this report.

10. Equality and Diversity Implications

- 10.1 This duty has been considered in the context of the Leisure Partnership Agreement and it has been concluded that there are no equality and diversity implications arising directly from this report. Prior to any future decision to change the Spectrum arrangements, an Equalities Impact Assessment will be required.

11. Climate Change/ Sustainability Implications

- 11.1 Section 11 of FL’s annual report sets out the energy consumption for the last three years for the sites. Guildford Spectrum, by the nature of its facilities, is a significant energy consumer. During the course of the contract, a number of energy saving initiatives have been introduced including the installation of a replacement Combined Heat & Power Unit (CHP) to act as a lead boiler at the venue. In addition to this, there have been a number of SALIX funded projects at the Lido and Spectrum.

12. Suggested items for Overview and Scrutiny to consider

- 12.1 Councillors may wish to consider whether:
- To comment on the performance of FL in relation to the operation of Guildford Spectrum, Guildford Lido, and Ash Manor Sports Centre as detailed in the annual report at Appendix 1
 - to comment on the LPA objectives detailed in 3.4 above

13. Conclusion

- 13.1 The pandemic closure has impacted on the financial outturn figures for the leisure partnership agreement.
- 13.2 Turnover was significantly down at Spectrum and Lido. At the Lido, this was primarily due to the weather. At Spectrum, the pools, event income, and catering

have all shown a drop in turnover. There have been some reductions in expenditure which offset part of the fall in income.

- 13.3 The operator has been unable to provide all the normal information for the annual report as a result of ongoing impacts of the pandemic.
- 13.4 In general, the operation of the venues has been within the acceptable parameters of the contract.
- 13.5 Overall, the sub-group were generally happy with the day to day operation of the facilities but expressed concern over the level of investment, the rise in customer complaints, and the long-term strategy to address energy consumption.

14. Background Papers

Freedom Leisure Annual Report Presentation 2019/20

15. Appendices

Appendix 1 – Freedom Leisure Annual Report 2019/20

Appendix 2 – Minutes of Annual Report Presentation 17 December 2020