

## 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 2020-21

## Executive Summary

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.

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 tenth contract period (from 1 April 2020 to 31 March 2021).

The contract year was significantly impacted by the closures and restrictions associated with the Covid-19 pandemic. The facilities (although not all) were only open for roughly four of the twelve months, and when the facilities were able to open, they were subjected to a wide range of Covid-19 restrictions. The performance of the venues was very different and therefore not comparable to previous years.

Due to the impact the pandemic has had on the leisure industry, Freedom Leisure has been in receipt of various financial support, a significant portion of which was from the Council.

During this unique year, the Spectrum played an active role in the response to the pandemic and successfully operated a food distribution hub for approximately 3 months. A significant amount of work was also undertaken during the closures to ensure the facilities were completely ready to welcome customers back upon re-opening.

The monitoring arrangements were modified to reflect the demands of the pandemic and the very different operation we were faced with. One of the main monitoring aspects throughout the year was the continuous review of each facility's Covid risk assessments, which were subject to ongoing review and changes as restrictions and guidance evolved.

The 10 Year Plan (also known as the Life Cycle Maintenance Programme or 'LCM' Programme) 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. Work on the life cycle

maintenance plan has been significantly restricted due to the closures and the direct financial impact of the pandemic, which remains a concern.

Freedom Leisure has not provided all the information that would normally be included within the Annual Report. The catering profit and loss account has recently been submitted and was not available for the presentation.

The full Annual Report for the contract period 2020/21 is shown at Appendix 1.

The table in Section 4 below shows a selection of the key performance indicators from the operator agreement. The pandemic closure and Covid support funding has impacted on the financial outturn figures for the leisure partnership agreement. At the close of the contract year, there was £261,005 of the Covid support available. This sum has been carried forward to 2021/22 to continue to provide support for the operator whilst the business recovers from the impact of Covid.

In the opinion of the Client team, the operation of the venues has been broadly within the acceptable parameters of the contract.

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. Their views are summarised below.

The Scrutiny sub-group were broadly happy with the day-to-day operation of the facilities and by the level of customer compliments received. They expressed reservations over the lack of context and detail around many of the figures that were being presented and over the customer feedback section. The sub-group requested Freedom Leisure to undertake a more detailed analysis of the reasons for complaints going forward.

The minutes of the Annual Report presentation that took place via Microsoft Teams on 23 August 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 2020 to 31 March 2021. There has been a significant impact as a result of the Covid-19 pandemic on the leisure industry and therefore this report.

## **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 tenth contract period from 1 April 2020 to 31 March 2021. 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.

### **Overview of the existing monitoring arrangements**

- 3.7 The Council's Leisure Client team monitor the LPA. The monitoring arrangements during this period have been modified accordingly to reflect the demands of the pandemic. Monitoring included an ongoing review of each facility's Covid Risk Assessment (RA) to ensure each facility was complying with the latest government guidance, regular walk rounds of each facility (to review the Covid RA mitigations in place and ensure compliance) and regular review of all incoming customer feedback submitted to us by Freedom Leisure.
- 3.8 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. Quarterly formal client monitoring meetings are usually 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 Effectively, over the course of the 2020/21 year, there were only 16 weeks of trading. This makes all comparisons with previous years and targets of very limited value. The performance will have been significantly impacted as a result of the Covid closures and restrictions.
- 4.2 At the start of the pandemic, thanks to the flexibility and commitment of staff, and various partners involved, a food distribution hub was set up at Spectrum which provided over 2,300 food parcels to residents across Surrey.
- 4.3 The opportunity was also taken during the downtime for works to be undertaken to maintain the asset so that the facilities could be deep-cleaned, re-decorated and maintained. The pandemic presented obvious financial constraints, but through partnership working, work was able to be completed during the closures so that the facilities would be ready to welcome customers back to a Covid-secure setting.
- 4.4 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. The income reported for the Guildford venues in 2020/21 includes the various Covid support funding (from the Council, via grant funding (NNDR and NLRf) and through the Government furlough scheme.) The management fee payment to the Council was also waived during the period.

KPI – Key Financial 'LY' = 2019/20	Spectrum	Lido	Ash	Contract	Notes
Income (£) *combined LPA and catering income	5,456,617  (LY) 10,987,480	117,361  (LY) 489,103	161,159  (LY) 401,234	5,735,137  (LY) 11,877,817	The Covid support that Freedom Leisure has received for the three leisure facilities has been declared under just Spectrum's income, with the exception of the furlough payments which have been attributed across the three sites.
Expenditure (£) *combined LPA and catering expenditure	5,103,383  (LY) 9,748,303	336,247  (LY) 605,665	213,412  (LY) 346,442	5,653,042  (LY) 10,700,410	Inc. central support charges Exc. management fee & repayments
Management fee & repayments* (£)	30,645  (LY) 1,288,637	51,450  (LY) (108,337)	0  (LY) 40,774	82,095  (LY) 1,221,074	The management fee payments to the Council were waived during the period as part of the Covid support. The figures for Spectrum and Lido for 2020/21 represent debt repayments, e.g., SALIX schemes.
Net contract surplus/ (deficit)	322,589  (LY) (49,460)	(270,336)  (LY) (8,225)	(52,253)  (LY) 14,018	(0)  (LY) (43,667)	The position for the individual facilities will have been distorted by Freedom's treatment of the Covid support payments (as noted above under income).

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

KPI –Key Operational LY = 2019/20	Spectrum	Lido	Ash	Contract	Bid or previous year(s)	Notes
Attendances	225,067 (LY) 1,707,671	1,349 (LY) 69,583	13,127 (LY) 84,233	239,543 (LY) 1,861,487	Bid 1,920,399	The Lido was only open for 3 days (from 29/03 to 31/03) during the period. These attendance figures are the latest figures which have been provided by FL subsequent to their original submission of the Annual Report and their presentation. The annual report at Appendix 1 has been updated with the latest figures.
Memberships	1,669 (LY) 3,738	43 (LY) 110	395 (LY) 659	2,107 (LY) 4507	(19/20) 4,507 (18/19) 3,206 (17/18) 3,456	FL's Annual Report does not include the membership figures for each site. The figures for 2020/21 are the figures provided by FL subsequent to their presentation.
Active card	n/a	n/a	n/a	31,251	(LY) 26,210	Increase in uptake due to Covid requirements (i.e. for pre-booking and tracking customer attendance)
Green Active card (concessions)	n/a	n/a	n/a	4,523	(LY) 5,281	
Overall customer satisfaction rating	-	-	-	n/a	n/a	Exercise not undertaken this year or last year.
Compliment	n/a	n/a	n/a	131 (LY) 187		
Complaint	n/a	n/a	n/a	66 (LY) 721		
Comment/suggestion	n/a	n/a	n/a	81 (LY) 85		

- 4.6 Not only were the facilities open for a limited number of weeks, the facilities were also subjected to various ongoing (and ever-changing) Covid restrictions which impacted heavily on capacities, the programming and opening hours. These changes meant that the facilities have operated very differently during the period compared to how they would normally, therefore undermining some of the key aspects (e.g. high footfall) the facilities rely upon to drive success.
- 4.7 As expected, the pandemic has caused attendances and memberships to fall. The total number of customer comments received during the period has also fallen but not proportionately to attendances. The number of customer complaints and comments received during the period was 147, which is 0.61 per 1,000 visits, compared to 0.43 per 1,000 visits in the previous year.
- 4.8 It was pleasing to see a significant number of compliments received during the period. At Spectrum, almost 70% of the compliments were received in the first month of opening and demonstrated a wide appreciation of how well organised,

welcoming and safe the venue felt. The communication surrounding the new lane swim arrangements was a most frequent compliment. Compliments received in subsequent months continued to echo customers' feelings of the venue and operation feeling 'Covid-safe' and well organised.

- 4.9 The complaints and comments/ suggestions during the period were varied but there were some trends relating to customers' struggling to book onto their fitness classes, staff's policing/ management of the Covid arrangements, the cleanliness in certain areas and also how busy some of the facilities were perceived at times.

KPI – Key Catering Financial	2020/21	2019/20	2018/19	Notes
Spectrum Catering Income	114,836	1,860,255	1,929,347	
Spectrum Catering Expenditure	147,271	1,508,231	1,422,300	
Spectrum Catering Profit/(Loss)	(33,629)	352,024	507,047	2019/20 figure would have been affected by the early closure (of 10 days) as a result of the pandemic.

- 4.10 Freedom Leisure has not provided all the information that would normally be included within the annual report and has only recently provided a separate catering profit and loss account. The catering outlets made a loss during the period of operation which is to be expected as some customers were reluctant to dwell after completing their activity.
- 4.11 Work on the life cycle maintenance plan has been significantly restricted due to the closures, the availability of staff, contractors, 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. This remains a concern and discussions with Freedom Leisure in relation to the asset management of the venues is ongoing.
- 4.12 Freedom Leisure's full Annual Report for the contract period 2020/21 is shown at Appendix 1.

## 5. Health & Safety

- 5.1 In the contract year, there were 63 accidents across the Guildford contract. This equates to 0.29 accidents per 1,000 visits, against the industry threshold of 1 accident per 1,000. Last year, there were 0.43 accidents per 1,000 visits.
- 5.2 There were no incidents during the period that required reporting to the Health & Safety Executive (HSE) under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations). Last year, there were 5 RIDDOR reportable incidents (three of which were at Spectrum and two at the Lido).
- 5.3 A significant amount of work was done to suitably Covid risk assess each facility and ensure it complied with the relevant guidance and advice. The ever-changing guidance and rules meant that this was a challenge, particularly surrounding the

ongoing communication to staff and customers that was required to ensure the changes were effectively put in place and understood. The compliments received during the period are testament to the work that has been put in by each facility manager to ensure their area was appropriately risk assessed and operated as safely as it possibly could.

## **6. Overview and Scrutiny sub group monitoring process 2020/21**

- 6.1 A sub-group of three councillors (Councillors Booth, Potter and Manning) represented 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.
- 6.3 The presentation of the Annual Report took place on Monday 23 August 2021. The Freedom Leisure Managing Director, Ivan Horsfall Turner, delivered a presentation via Microsoft Teams to the Lead Councillor, Councillor James Steel, the sub-group (Councillors Booth, Potter and Manning), and the Leisure Client Team.
- 6.4 The sub-group considered the contents of the report and the infographic presentation that was presented to them. A number of the questions and comments related to customer feedback, attendance figures, membership figures, staffing arrangements and morale, with particular emphasis on the lack of context around some of the information which made the review of the performance for the period difficult. The minutes of the Annual Report Presentation 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 and by the level of customer compliments received but noted that the majority of these were received during August
  - expressed reservations over the lack of context and detail around many of the figures that were being presented, i.e., comparable figures and explanatory narrative
  - expressed reservations over the customer feedback section and asked questions in efforts to obtain further clarification over the nature of complaints and reasons for these. The sub-group requested Freedom Leisure to undertake a more detailed analysis of the reasons for complaints.

## **7. Financial Implications**

- 7.1 Due to the level of closures and staff on furlough, it is difficult to draw a useful comparison with previous years or intended performance.
- 7.2 The declared position at the end of the financial year for the contract was a nil surplus/deficit position due to the various pandemic financial support measures offered by the Council and the government. Detailed financial statements are shown at appendix 1 of the Freedom Annual Report (attached at Appendix 1 to this report).



- 7.3 The leisure industry has been impacted dramatically by the pandemic and associated closures and restrictions. Freedom Leisure have therefore been in receipt of various financial support during the period;
- The management fee (of just under £1.2million p/a) which FL would (in usual circumstances) pay the Council has been waived.
  - the Council also provided Covid support funding to FL of just over £2.6m (so far).
  - a successful application for National Leisure Recovery Funding meant that just over £267k was passed on to FL.
  - FL also benefitted from NNDR (National Non Domestic Rate) relief (of approximately £150k) and the government's furlough scheme.
- 7.4 At the close of the contract year, there was £261,005 of the Covid support available, this sum has been carried forward to 2021/22 to continue to provide support for the operator whilst the business recovers from the impact of Covid.
- 7.5 Whilst the figures for the overall contract are correct, the financial performance of each of the individual facilities has been impacted by FL's treatment of the income, as the Covid support (with the exception of the furlough payments) has been declared under just Spectrum's income.

## **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**

- 9.1 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 four years for the sites. Guildford Spectrum, by the nature of its facilities, is a significant energy consumer. During the course of the closures, while certain

facilities cannot be switched off completely, arrangements were put in place to 'ramp down' the plant and equipment so that each site was as energy efficient as it could be during the period of closures.

## **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 operation of the leisure facilities was very different this year and the pandemic closures has impacted on the financial outturn figures for the leisure partnership agreement.
- 13.2 Overall, the overview and scrutiny sub-group were broadly happy with the day-to-day operation of the facilities and by the level of customer compliments received. They expressed reservations over the lack of context and detail around many of the figures that were being presented and over the customer feedback section. The sub-group requested Freedom Leisure to undertake a more detailed analysis of the reasons for complaints going forward.
- 13.3 The pandemic continues to present challenges and the leisure industry is still very much in a period of recovery. In the opinion of the Client team, the operation of the venues has been broadly within the acceptable parameters of the contract.

## **14. Background Papers**

Freedom Leisure Annual Report 'Infographic' Presentation 2020/21

## **15. Appendices**

Appendix 1 – Freedom Leisure Annual Report 2020/21

Appendix 2 – Minutes of Annual Report Presentation 23 August 2021