

Overview and Scrutiny Committee Report

Ward(s) affected: Whole Borough

Report of Joint Strategic Director, Transformation and Governance

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## **Operation of Leisure Management Contract 2021-22**

### **Executive Summary**

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). A 2-year contract extension was granted in October 2022 and a further 2-year extension proposal is currently being considered.

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 eleventh contract period (from 1 April 2021 to 31 March 2022).

During the first 4 months of the period, the facilities that were allowed to open were 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 first half of this period compared to how they would normally (pre-covid), therefore undermining some of the key aspects (i.e. high footfall) that some of the facilities rely upon to drive success. When the facilities were able to return to normal, it has taken time for customers to re-adjust to busier facilities and gain confidence in returning following such a long period of time where restrictions were imposed. This has therefore impacted on the recovery of the facilities and therefore its performance.

The monitoring arrangements were modified to reflect the demands of the pandemic and the ever-changing operation we were faced with. One of the main monitoring aspects throughout the first part of 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. As the operation returned to normal and the venues entered the recovery phase, more normal monitoring arrangements resumed.

There remains a concern over the level of investment into the facilities while the Operator is not only in the recovery phase post pandemic but is also dealing with other pressures affecting the marketplace.

The nature of the customer feedback received in the period is reflective of the challenges faced by leisure operators in terms of recruitment, staffing levels and available funding for investment.

The declared position at the end of the financial year for the contract overall was a deficit position of £383,268. Freedom Leisure has not provided all the information that would normally be included within the Annual Report and this includes a separate catering profit and loss account.

The full Annual Report for the contract period 2021/22 is shown at Appendix 1.

The Scrutiny sub-group considered Freedom Leisure's Presentation of their Annual Report. The sub-group recognised the challenges (such as recruitment, staffing levels and the cost of living crisis) faced by the leisure industry and the direct impact this is having on the operation. Discussion took place surrounding post-pandemic usage levels and slow recovery of certain aspects, such as membership growth. Customer feedback was also considered, with particular emphasis on the lack of context around some of the information. Overall, the sub-group were broadly happy with the day to day operation of the facilities and were pleased with how the facilities were recovering following the pandemic.

The minutes of the Annual Report presentation that took place on 29 November 2022 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 2021 to 31 March 2022. There has been a

significant impact as a result of the Covid19 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 principles of the Guildford Health and Wellbeing Strategy by supporting people to maintain physical activity whilst also contributing to its priorities;
- Improving children's health and wellbeing
  - Developing a preventative approach
  - Promoting emotional wellbeing and mental health
  - Improving older adults' health and wellbeing
  - Safeguarding the population

## **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). A 2-year contract extension was granted in October 2022 and a further 2-year extension proposal is currently being considered.
- 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 eleventh contract period from 1 April 2021 to 31 March 2022. 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. However, it is treated by Freedom Leisure as if it is part of the LPA in their submitted report.

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

3.7 The Council's Leisure Client team monitor the LPA. The monitoring arrangements during this period were 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 As Covid restrictions have eased, normal monitoring duties have resumed. This 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 The first quarter of the 2021/22 period saw some facilities beginning to re-open following the various Covid closures and restrictions that had significantly impacted the venues during the majority of the previous year. The phased re-opening of each facility, and the Covid restrictions that remained in place, meant that the offering was still very different to

'business as usual', with some facilities remaining closed under the restrictions until later on in the year. This therefore makes comparisons with previous years and targets of very limited value.

4.2 The following tables below show a selection of the key performance indicators from the operator agreement relating to financial performance and operating performance.

4.3 Included here are comparisons against 2019/20 and last year (2020/21). It is important to note that there were only 16 weeks of trading during 2020/21 due to the Covid closures which have affected the figures, as well as the Covid support which was provided to Freedom Leisure. 2019/20 is seen to be a more typical year, with only the last few days of March being materially affected by the pandemic.

KPI – Key Financial 'LY' = 2020/21	Spectrum	Lido	Ash	Contract	Notes
Income (£) *combined LPA and catering income	10,553,507 (LY) 5,456,617 (2019/20) 10,987,480	636,018 (LY) 117,361 (2019/20) ) 489,103	272,143 (LY) 161,159 (2019/20) ) 401,234	11,441,668 (LY) 5,735,137 (2019/20) 11,877,817	The Covid support (from the Council and via grant funding) provided to FL in 2020/21 for the 3 venues has been declared under just Spectrum's income. Furlough payments however have been attributed across the three sites.
Expenditure (£) *combined LPA and catering expenditure	9,525,685 (LY) 5,103,383 (2019/20) 9,748,303	748,433 (LY) 336,247 (2019/20) ) 605,665	520,520 (LY) 213,412 (2019/20) ) 346,442	10,794,368 (LY) 5,653,042 (2019/20) 10,700,410	Inc. central support charges Exc. management fee & repayments
Management fee & repayments* (£)	978,848 (LY) 30,645 (2019/20) 1,288,637	51,450 (LY) 51,450 (2019/20) ) (108,337) )	0 (LY) 0 (2019/20) ) 40,774	1,030,298 (LY) 82,095 (2019/20) 1,221,074	The management fee payments to the Council were waived during 2020/21 as part of the Covid support. (The figures for Spectrum and Lido for 2020/21 represent debt repayments.

Net contract surplus/ (deficit)	28,974	(163,865 )	(248,377)	(383,268)	
	(LY)		(LY)	(LY)	
	322,589	(LY)	(52,253)	(0)	
	(2019/20)	(270,336 )	(2019/20)	(2019/20)	
	(49,460)		14,018	(43,667)	
		(2019/20 )			
		(8,225)			

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

KPI –Key Operational LY = 2020/21	Spectrum	Lido	Ash	Contract	Bid or previous year(s)	Notes
Attendances	1,302,194  (LY) 225,067  2019/20 1,707,671	116,334  (LY) 1,349  2019/20 69,583	34,959  (LY) 13,127  2019/20 84,233	1,453,487  (LY) 239,543  2019/20 1,861,487	Bid 1,920,399	The attendances for the period were impacted by ongoing covid restrictions in the first part of the year.  The Lido was only open for 3 days (from 29/03 to 31/03) during last year (2020/21.)
Memberships	1901  (LY) 1,669  2019/20 3,738	52  (LY) 43  2019/20 110	520  (LY) 395  2019/20 659	2473  (LY) 2,107  2019/20 4507	(20/21) 2,107 (19/20) 4,507 (18/19) 3,206 (17/18) 3,456	
Active card	n/a	n/a	n/a	35,386	(2020/21) 29,245	Increased uptake due to Covid requirements (i.e. for pre-booking and tracking customer attendance)
Green Active card (concessions)	n/a	n/a	n/a	4,499	(LY) 5,281	
Overall customer satisfaction rating	-	-	-	n/a	n/a	Exercise not taken place.
Compliment	n/a	n/a	n/a	203  (LY) 131  2019/20 187		
Complaint	n/a	n/a	n/a	529  (LY) 66  2019/20 723		
Comment/ suggestion	n/a	n/a	n/a	138  (LY) 81  2019/20 85		

4.5 During the first 4 months of the period, many of the facilities (that were allowed to open) were 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 first half of this period compared to how they would normally (pre-covid), therefore undermining some of the key

aspects (e.g. high footfall) that some of the facilities rely upon to drive success. It wasn't until July, when most legal restrictions were lifted, that the facilities could operate as they used to. It is important to note that while facilities were able to return to normal, it has taken time for customers to re-adjust to busier facilities and gain confidence in returning following such a long period of time where restrictions were imposed.

- 4.6 Attendances overall have grown steadily as restrictions have eased, with some activities showing faster recovery than others. The contract's membership base has seen a steady recovery but is still a long way off pre-pandemic levels. The pandemic has caused a shift in the way people exercise due to gyms being unavailable for such a long time, which has meant operators have had to work hard to entice customers back in to certain facilities such as gyms. The success of the Lido is usually determined by the weather which has a direct impact on attendance levels. Attendances during the period however were restricted by Freedom Leisure due to technical problems which meant the pool could not operate at full capacity, which had a direct impact on the Lido's performance.
- 4.7 The total number of customer comments received during the period has increased as attendances increased. Many of the compliments received in the first quarter related to customers being so pleased to be back after such a long period of disruption. Frequent compliments were made over how covid-safe the facilities felt in terms of cleanliness and how well organised the arrangements were. These compliments pay credit to the significant amount of work and attention that was made to each facility's covid risk assessment to ensure the operation continued to be safe and in line with the ever-changing covid guidance and restrictions. Other re-occurring compliments included customer service, with frequent compliments received over how staff dealt with certain incidents such as first aids.
- 4.8 The complaints and comments/ suggestions during the period were varied but there were some trends; a significant number of complaints were received over how crowded the leisure pool felt. The leisure pool had operated at 50% capacity in accordance with Covid restrictions which meant that customers had become used to a quieter environment with more space and less queues for slides, as well as becoming generally accustomed to social distancing requirements elsewhere. When restrictions were lifted, this sudden change led to unease and customers' perception that the leisure pool was too busy.
- 4.9 The cleanliness of the pool changing areas was also a common complaint, which is a particular issue when the pools are at capacity due to the access constraints to clean the areas between uses. Staffing difficulties, which is an industry-wide issue, hampered this and also led to certain facilities, such as the slides, not always being available.

- 4.10 Swimming lessons were also impacted by the shortage of staff, which was one of the areas of complaint of this activity. Other swimming lesson feedback related to lesson handover arrangements, lesson progress and class sizes.
- 4.11 Maintenance was often referred to as part of a general complaint over another topic. Common themes included the general appearance of certain facilities particularly the pool changing areas and the need for investment and upgrade. The unavailability of the diving boards due to the delay in works to the dive pool railings also generated a number of complaints until such works were completed.
- 4.12 Freedom Leisure was unable to provide all of the information that would normally be included within the annual report such as a separate catering profit and loss account. This will be reviewed upon receipt.
- 4.13 Work on the life cycle maintenance plan had been significantly restricted in the previous year 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. There remains a concern over the level of investment in to the facilities while the Operator is very much still in the recovery phase post pandemic, and is also dealing with new challenges such as inflation. Discussions with Freedom Leisure in relation to the asset management of the venues is therefore ongoing.
- 4.14 Freedom Leisure's full Annual Report for the contract period 2021/22 is shown at Appendix 1.

## **5. Health & Safety**

- 5.1 In the contract year, there were 836 accidents across the Guildford contract. This equates to 0.58 accidents per 1,000 visits, against the industry threshold of 1 accident per 1,000.
- 5.2 There were no reported incidents during the period that required reporting to the Health & Safety Executive (HSE) under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations).
- 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 2021/22**

- 6.1 The presentation of the Annual Report took place on Tuesday 29 November 2022. The Freedom Leisure Area Manager, Brian Lamplough, delivered a presentation to Overview and Scrutiny sub-group members Councillor Booth and Councillor Potter and the Leisure Client Team.
- 6.2 The sub-group and the Lead Councillor for Environmental and Regulatory Services, James Steel, received a briefing note on the contract from the Council's Leisure Client team in advance of the Annual Report Presentation by Freedom Leisure. Those who were unable to attend the presentation, were included in the circulation of Freedom Leisure's Annual Report, the slide show presentation and minutes of the meeting and were given the opportunity to ask any subsequent questions.
- 6.3 The sub-group considered the presentation and a number of questions and comments were made. Some of these related to post-pandemic usage levels and recovery including membership growth and ways in which Freedom Leisure is staying competitive in the marketplace. The challenges faced by leisure providers was also a discussion point, with reference to recruitment, staffing levels and the cost of living crisis. Further explanation of the operation and usage of the ice rink was provided following a question surrounding its energy consumption and maintenance requirements.
- 6.4 Customer feedback was also considered, with particular emphasis on the lack of context around some of the information which has been an observation made at previous Annual Report presentations. The sub-group were also keen to understand the levels of engagement Freedom has with schools. 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 were pleased with how the facilities were recovering following the pandemic
  - Recognised the challenges faced by the leisure industry and the direct impact this is having on the operation
  - expressed reservations over the customer feedback overview section and asked questions in efforts to obtain further clarification over the nature of complaints and reasons for these.

## **7. Financial Implications**

- 7.1 The covid closures and restrictions that have impacted the first half of the period, and the recovery period after that mean it is difficult to draw a useful comparison with previous years or intended performance. Freedom Leisure was unable to provide a separate catering profit and loss account

which means a detailed financial review of the catering performance cannot be undertaken. This review will take place upon receipt of the information.

- 7.2 The declared position at the end of the financial year for the contract overall was a deficit position of £383,268.
- 7.3 The contract management fee paid to the council in the period was £1,073,570 (including some additional repayments) against the anticipated revised management fee of £1,070,600. This financial year covered the end of the original contract (April 1 to Oct 31) and the commencement of the extension (1 Nov to 31 Mar). The contract management fee payment to the council during the initial two-year extension was reduced reflecting the impact of the pandemic during the anticipated recovery phase.

## **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. Equality and Diversity Implications**

- 9.1 This duty has been considered in the context of this report 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 leisure contract arrangements, an Equalities Impact Assessment will be required.

## **10. Human Resource Implications**

- 10.1 There are no HR implications arising from this report.

## **12. Climate Change/Sustainability Implications**

- 12.1 There are no additional Climate Change/ Sustainability implications arising directly from this report.

### **13.Suggested items for Overview and Scrutiny to consider**

13.1 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

### **14.Conclusion**

14.1 The first part of the eleventh contract year was directly impacted by covid closures. The remainder of the period saw facilities recover at different rates while customers gradually adjusted to more normalised operating arrangements. Certain areas, such as the gym and group exercise, saw a particularly slow recovery. The pandemic and rate of recovery following it has had a direct impact on the financial performance of the contract.

14.1 There remains a concern over the level of investment into the facilities while the Operator is not only in the recovery phase post pandemic but is also dealing with other pressures affecting the marketplace.

14.2 The nature of the customer feedback received in the period is indicative of the challenges faced by leisure operators in terms of recruitment, staffing levels and available funding for investment. The compliments received are reflective of Freedom Leisure's approach to the ever-changing covid arrangements and the level of customer care provided to customers as they were welcomed back into the facilities.

14.3 The sub-group recognised the challenges faced by the leisure industry but were generally pleased with the day to day operation of the facilities and how they appear to be recovering following the pandemic.

### **15. Background Papers**

15.1 None

### **16. Appendices**

Appendix 1 – Freedom Leisure Annual Report 2021/22

Appendix 2 – Minutes of Annual Report Presentation 29 November 2022