

# ARUN DISTRICT COUNCIL

## REPORT TO AND DECISION OF HOUSING AND WELLBEING SERVICES COMMITTEE ON 21 JULY 2022

### PART A: REPORT

**SUBJECT: LEISURE OPERATING CONTRACT – YEAR SIX REPORT**

**REPORT AUTHOR:** Robin Wickham, Group Head of Community Wellbeing  
**DATE:** May 2022  
**EXTN:** 37835  
**AREA:** Community Wellbeing, Service Directorate

**EXECUTIVE SUMMARY:** This report provides an overview of the sixth year of the leisure operating contract (financial year 2021/22). The contractor, Freedom Leisure will attend the meeting to present its Annual Report.

#### **RECOMMENDATIONS:**

The Housing and Wellbeing Committee is requested to:

- a. note the overall performance of Freedom Leisure for the period 1 April 2021 to 31 March 2022; and
- b. note that the Dual Use Officer Group met on three occasions during the review period and agreed work priorities in accordance with its Terms of Reference.

#### **1.0 BACKGROUND:**

- 1.1 In September 2015 the Council's Leisure Operating Contract was awarded to Wealden Leisure Ltd., trading as Freedom Leisure (C/013/140915). The contract is for a period of ten years (2016 to 2026) with an optional extension period of five years.
- 1.2 The sum tendered for the contract was £503,192 per annum payable to the Council (averaged over ten years). The tendered sum was adjusted to reflect capital improvement work funded by the Council and a reassessment of the financial position on the transfer of the business. This resulted in an improvement to the tendered sum from £503,192 to £680,683 per annum (averaged over ten years).
- 1.3 This report covers the period of recovery from the pandemic as restrictions were lifted and confidence built in returning to business as usual. The period was also affected by pressures in the job market and rising inflation.

1.4 Freedom Leisure will present two items:

- The Arun District Council Leisure Operating Contract Annual Report 2021/22 (Appendix 1)
- The 'Arun Active Communities Development Plan 2022/24 (Appendix 2)

This will provide an opportunity for members to review the last year's performance and the current service delivery plan.

## 2.0 PERFORMANCE MANAGEMENT

- 2.1 The contract specification is outcome based which requires Freedom Leisure to formulate the most effective and efficient way to manage the Council's leisure facilities whilst achieving the operating fee payable to the Council and agreed standards and performance indicators.
- 2.2 Contract reporting is managed through an on-line performance framework specifically created for this purpose. The performance framework is a shared resource which Freedom Leisure populates with data and documents. The framework is also a tool for Freedom Leisure and the Council to review both financial and operational performance.
- 2.3 The contract is managed by monitoring visits and monthly contract meetings. Over the past two years additional strategic meetings have been held with Freedom Leisure to review the impact the pandemic has had nationally on the leisure industry and its effect locally. Financial support over this period, has been provided both locally and by HM Government. This has resulted in a national framework for monitoring the performance of leisure and locally the Council has met with Freedom Leisure each month to scrutinise targets and financial performance through open book accounting.
- 2.4 A very basic indicator of performance is the number of people attending the leisure facilities. The review period was impacted by the pandemic, but to a lesser extent than 2020/21. The period 2021/22 was characterised by a lifting of the lockdown on 21 April 2021 and a gradual easing of the restrictions until fully lifted on 19 July 2021. Further restrictions were imposed between 8 December 2021 and 27 January 2022 requiring face coverings in buildings. The restrictions limited access to buildings, the size of classes and the availability of activities. In addition to changing the habits of customers to participate in group activities (cinema, theatre, classes) it also affected the confidence of some people to visit the centres and congregate.
- 2.5 Despite the restrictions the numbers of people returning to activities in 2021/22 were strong (Table 1). Across all facilities and activities 1,089,189 visits were recorded. This compares favourably with the pre-pandemic total of 1,164,380. Furthermore, it represents 27% more visits than the first year of the contract when the recorded attendance was 860,284.

<u>Table 1 – Attendances</u>	Baseline 2016/17	Pre- Pandemic 2019/20	2021/22
Arun Leisure Centre	353,691	418,992	453,608
Littlehampton Swimming & Sports Centre	365,271	0	0
Littlehampton Wave	0	562,102	552,312
Windmill Entertainment Centre	52,692	77,029	29,924
Bersted Park Community Centre	26,977	31,557	14,422
Active Communities	61,653	74,700	38,923
<b>Total</b>	<b>860,284</b>	<b>1,164,380</b>	<b>1,089,189</b>
Percentage increase based on Baseline (2016/17)		35%	27%

- 2.6 The closure of the centres during the pandemic had a significant impact on income which has been addressed in reports to Cabinet and this Committee. The legacy of the closures has been a reduction in membership numbers which is proving difficult to overcome. Currently membership is approximately 80% of the pre-pandemic number. This is slightly better than the national average but remains stubbornly at this level.
- 2.7 A rather better picture has been Freedom Leisure's 'Learn to Swim' programme. Children returned very quickly as restrictions were lifted and enrolment on classes at the Arun Leisure Centre and Littlehampton Wave programme is 112% and 106% respectively higher than pre-pandemic.
- 2.8 The usage of the sports halls and synthetic turf pitch have returned to the levels expected and catering income and studio usage is slowly returning to normal. Theatre and cinema were particularly impacted by COVID restrictions and are only now starting to recover.
- 2.9 The steady return of customers to the various settings and activities was positive, but at the end of 2021/22 Freedom Leisure reported that income was still 15% or approximately £70,000 per month lower than that before the pandemic.

### **3.0 PROGRAMMING AND PRICING**

- 3.1 There were no significant changes in the pricing structure for classes, activities and memberships during the period.
- 3.2 The annual price increase was introduced on 1 January 2022. Core prices increased by 4.4% in line with the consumer price index (5.4%) and other fees and charges averaged 5%. Freedom has endeavoured to keep membership charge increase to a

minimum. The adult membership charge was not increased in January 2022 but was increased in May 2022 from £44 to £45. This charge is mid-table compared to neighbouring local authority leisure memberships where the highest charge is £60 and lowest £30.

- 3.3 Freedom Leisure is continuing to develop and extend its programme of activities and classes. The 'Little Leapfrogs' drop-in activity sessions for preschool children has been a notable success, as have school holiday activity programmes which include the provision of lunches with funding distributed by West Sussex County Council. Freedom Leisure has maintained its Healthy Walk programme despite a reduction in the number of volunteer walk leaders since COVID.

#### **4.0 ASSET MANAGEMENT**

- 4.1 Freedom Leisure continued to maintain the plant and buildings in accordance with the agreed schedule of Asset Management Responsibilities. It also worked with the Council's Property and Estates team to ensure that all planned improvement works were agreed and delivered to appropriate standards.
- 4.2 The Arun Leisure Centre is subject to a Dual Use Agreement to facilitate the shared use of the building with Felpham Community College. On a termly basis a Dual Use Officer Group meets to review operational matters and ensure that the Arun Leisure Centre is properly managed and maintained. These meetings recommenced as COVID restrictions were lifted and were held on 20 May 2021, 18 November 2021, and 9 February 2022.
- 4.3 The Council is now working with Freedom Leisure, West Sussex County Council and Felpham Community School to refresh the building five-year maintenance plan to ensure it is correctly costed and budgets allocated.

#### **5.0 HEALTH AND SAFETY**

- 5.1 The management of Health and Safety was in accordance with the contract specification. Accidents were reported to the Council via email and the details recorded. In each case the incidents were investigated, appropriate actions taken, and the Council informed of the outcomes. During the 2021/22 no incidents were RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) reportable.

#### **6.0 QUALITY ASSURANCE AND CUSTOMER CARE**

- 6.1 Freedom Leisure is committed to ensure that the facilities meet industry appropriate quality standards. In addition to using its own in-house Quality Management System, both the Arun Leisure Centre and the Active Communities team hold a QUEST accreditation. QUEST is the industry standard quality marque supported by Sport England and provides a tool for continuous improvement. The Littlehampton Wave will undergo a QUEST assessment in due course.

- 6.2 Freedom Leisure also employs an external auditor (Leisure Client) to review the performance of all its leisure centres. Due to the pandemic these independent audits have been paused and Freedom Leisure are aiming to restart these later in 2022/23.
- 6.3 Monitoring inspections by Arun Officers have been carried out to assess cleanliness, review maintenance and ensure that any defects are rectified. Critical visits previously carried out by senior managers from both Freedom Leisure and the Council to identify areas for improvement will resume when the most pressing post-pandemic issues have been resolved.
- 6.4 Customer feedback is continuously monitored by Freedom Leisure with details of complaints, compliments and suggestions reported at the monthly client contractor meetings. Freedom Leisure also use the Net Promoter Score as a customer relationship management tool to gauge loyalty and overall satisfaction.

## **7.0 PLANS FOR 2022/23**

- 7.1 The Leisure Operating Contract requires Freedom Leisure to continuously review its operation and update its plans to ensure that the service evolves to meet the changing needs of Arun's communities.
- 7.2 Since 2020 the local competition from other leisure providers has increased. Insight also suggests that more people have become accustomed to exercising at home and outdoors rather than in fitness gyms and studios. Freedom Leisure acknowledges these factors and is rebuilding its customer base to encourage new people to take up activity and build confidence in those who have not returned since the pandemic.
- 7.3 A growing risk to the customer base is the increase in the cost of living with its potential impact on household disposable income. Freedom Leisure has also struggled to recruit and recently increased the wages of many of its lower paid staff to aid retention and employment.
- 7.4 Of significant and imminent concern is the potential increase in energy costs in the Autumn when gas and electricity contracts are renewed. The projected annual increase for the Arun contract is more than £200,000.
- 7.5 Freedom Leisure is currently considering all the factors affecting its business and taking appropriate steps to mitigate the effects of inflation and increased energy costs. These measures include reviewing prices, further energy saving measures, reducing opening hours at quieter times and staff optimisation.
- 7.6 The Council has agreed to invest Section 106 funding at the Arun Leisure Centre to increase the swimming pool changing room capacity and improve the customer experience. The Council will also continue to work with Freedom Leisure to identify carbon reduction projects to help achieve our net carbon neutral targets.
- 7.7 Regarding Freedom Leisure's short to medium term activity development objectives, these are detailed in the 'Arun Active Communities Development Plan 2022/25' (Appendix 2). This plan was drafted with Arun Officers and demonstrates Freedom Leisure's commitment to wellbeing. Some of the ambition may be dampened by the

current economic downturn, but Freedom Leisure remain committed delivering as much as possible during this difficult period.

- 7.8 The 'Arun Active Communities Plan' clearly sets out Freedom Leisure's commitment to social responsibility and its willingness to work with partners. Moreover, it recognises the many socio-economic barriers to participation that more commercially orientated operators may overlook.

## 8.0 CONCLUSION

8.1 Throughout the period Freedom Leisure has provided consistently high standards and been attentive to the requirements of the contract. It has also fostered and promoted good working relationships with the Council and our partners.

8.2 The pandemic has had a significant impact on the business of leisure centres both nationally and locally. In Arun the number of people returning to the centres has been positive, but the income generated by those customers has been below the level experienced before the pandemic. Growing inflationary pressures, difficulties in recruitment and potential increases in energy costs may have additional and consequential impacts on the contract.

8.3 The Council is now in the seventh year of its contract with Freedom Leisure. Recent years have been challenging, but we have continued to work together to ensure that the contracted services continue to be delivered. Of particular significance as we emerge from the pandemic is the social value elements of the contract which are illustrated in Freedom Leisure's 'Active Communities Development Plan' which provide a sound foundation for the health and wellbeing of the community.

## 9.0 OPTIONS:

- a) To note the report.
- b) To propose an alternative recommendation.

## 10.0 CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓

11.0 ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal	✓	
Human Rights/Equality Impact Assessment		✓

Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land	✓	
Technology		✓
Other (please explain)		

#### 12.0 IMPLICATIONS:

Financial: The leisure operating contract generates revenue for the Council.

Legal: The Council is in contract (plus leased assets) with Freedom Leisure for the operation of its leisure facilities

Asset Management: The buildings leased to Freedom Leisure remain the property of Arun District Council.

#### 13.0 REASON FOR THE DECISION:

- Scrutiny of the Council's Leisure Operator

#### 14.0 BACKGROUND PAPERS:

Cabinet Paper	<a href="#">Leisure Management Contract 2016 (September 2013)</a>
Cabinet Paper	<a href="#">Leisure Management Contract 2016 (October 2014)</a>
Cabinet Paper	<a href="#">Award of Leisure Management Contract 2016</a> (September 2015)
Cabinet Paper	<a href="#">Arun District Council Budget 2016/17</a> (February 2016)
Cabinet Paper	<a href="#">Review of the Arun Leisure Centre Dual Use Agreement</a> (September 2016)
Cabinet Paper	<a href="#">Leisure Management Contract Works</a> (March 2016)
OSC Paper	Leisure Operating Contract – Year One Report (May 2017)
OSC Paper	Leisure Operating Contract – Year Two Report (November 2018)
Decision Taken under Officer Scheme of Delegation	Financial Support to Freedom Leisure (16 April 2020)
Full Council	Decision (15 July 2020)
Cabinet Decision	C/009/21092020 (21 September 2020) C/037/14122020 (14 December 2020)

Housing & Wellbeing Committee	Leisure Contract Update Report (17 March 2022)
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Appendix 1

The Arun District Council Leisure Operating Contract Annual Report 2021/22

Appendix 2

The 'Arun Active Communities Development Plan 2022/24