Executive Report
Report of Head of Parks and Leisure
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Operation of Leisure Management Contract

Recommendation to Executive:

The Executive is asked whether:

(1) in light of this report, it is satisfied with the performance of the leisure operator;
(2) in the light of this report, it wishes to make any amendments to the focus of the service objectives referred to in paragraph 3.10; and
(3) any of the issues raised in the customer satisfaction survey or with some of the monitoring information give cause for concern or particular comment.

Reasons for Recommendation:

(1) The available supporting evidence indicates Freedom Leisure is largely meeting the expectations within the Leisure Partnership Agreement.
(2) The service objectives must be considered annually to ensure they remain consistent with the Council’s objectives and priorities.

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 2012 to 31 March 2013.

1.2 To provide an opportunity to comment on the current and future service provision and/or the monitoring arrangements for the contract.

1.3 Due to the contract commencement date, some of this contract year (April 2012 to October 2012) overlaps with the previous report considered by the Executive in December 2012. Subsequent annual reports will be consistent with the April to March contract year.

2. Strategic Priorities

2.1 The provision of the services detailed within this report support the Corporate Plan in the following areas:–
2.2 This report supports the values for our residents by monitoring transparently the quality and effectiveness of the partnership arrangements between the Council and its contractor for the operation of the leisure facilities.

3. Background

3.1 With the assistance of specialist advisers, and in conjunction with Woking Borough Council, the Council went through a competitive dialogue procurement process to select the most suitable leisure operator. This culminated in the Council entering 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 based on facilities at Guildford Spectrum, Guildford Lido and Ash Manor Sports Centre.

3.2 GLL has subcontracted elements of the service to Wealdon Leisure Limited trading as Freedom Leisure (FL). FL has entered into a collateral warranty in favour of the Council. Both of these companies are industrial provident societies and therefore enjoy charitable status. As a registered charity, FL receives a mandatory 80 per cent relief on National Non Domestic Rates and all sporting activities are exempt from VAT.

3.3 In broad terms FL provide the operational services and GLL contribute to the strategic direction and have the legal right to take over the operation of the contract should the performance/status of FL require it.

3.4 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.

3.5 The LPA is a substantial document which includes, as one of its component elements, a detailed service specification in respect of each site covering all aspects of service delivery, for example opening and closing hours, water and air temperatures, maintenance regimes, health and safety compliance requirements, staffing levels and qualifications. A summary of the contract monitoring arrangements is set out in Appendix A to this report.

3.6 The Council transferred the risks associated with maintaining, repairing and replacing the plant and machinery to the leisure operator. The Council retained responsibility for repairing and replacing the building fabric of each of the venues although the leisure operator is responsible for its maintenance.

3.7 The Council undertook to complete some remedial work and the outstanding planned asset purchases from the 2011-12 fifteen year plan. The vast majority of
these are now complete, a small number (estimated to cost £523,250) remain due to their complexity and size. The majority of this funding relates to an enhanced Combined Heat and Power scheme and a replacement lift and controls.

3.8 The Business Development Manager in Parks and Leisure Service monitors the contract. Monitoring includes regular formal 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.

3.9 There is a formal client monitoring meeting every other month considering a standard agenda covering financial performance, technical issues, quality of service including customer comments, marketing development, and health and safety. The Lead Councillor attends this meeting.

3.10 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.

4. Performance of the Contractor

4.1 A copy of the Freedom Leisure annual report is at Appendix B. The operator prepares an annual report to set out their performance within the Guildford contract.

Customer survey and feedback

4.2 In the contract year 1 April 2012 to 31 March 2013, attendances are up against the equivalent period in the previous year for the overall contract; however, attendances are down at Ash Manor primarily due to increased competition from venues such as David Lloyd and Nuffield Health in Farnham.

4.3 The most recent customer satisfaction survey to check their perception of the service quality for each of the three sites was in October 2012. The survey
results were very positive indicating Spectrum customers are as satisfied with the service in 2012 as they were in 2010 (Customer Satisfaction Indicator 87 per cent). A summary of the results is at Appendix C.

4.4 Compared to 2011-12, the number of customer complaints has dropped from 259 to 211 (18.5 per cent decrease). FL also routinely monitor and score feedback on a month to month basis and the customer satisfaction rating shows fluctuations across individual facilities; however, the overall rating for Spectrum is exactly the same as the previous year and the Ash Manor rating has improved.

Programming and pricing

4.5 There has been no significant change in programming and price increases are generally in line with inflation. Some prices have remained static or decreased where demand or competition has indicated this is the most sensible approach.

Asset Management

4.6 FL has maintained the plant in accordance with the Council’s specification including completion of their scheduled plant and equipment replacements for the period. A detailed breakdown of their asset management projects for 2012-13 is in their annual report (Appendix B).

4.7 Major investment undertaken during this contract year includes:-
- Spectrum leisure pool change refurbishment project
- installation of energy efficient Lido boilers
- new hot water calorifers at Spectrum
- installation of Rockbox climbing facility
- lighting improvements in high usage areas
- automated lighting control units in low use areas
- enhanced individual controls on leisure pool features
- new energy efficient ice plant without R22 refrigerant (to be completed 2013-14).

FL has worked in partnership with the Council on a number of these projects.

4.8 Major projects planned for completion in 2013-14 include the installation of four flumes plus some interactive children’s toys in the paddling pool at the Lido and a revised Combined Heat and Power (CHP) facility at Spectrum.

Health and safety

4.9 Management of health and safety has been in accordance with the expectations contained within the specification. There is a slight variation in the number of accidents on site in comparison to the previous equivalent period but the ratio of accidents per 1,000 visits remains broadly consistent. The accident ratio is well inside the expected level of incidents for the industry.
Table 4.9.1 comparing total accident and attendances across the Guildford contract

<table>
<thead>
<tr>
<th>Period</th>
<th>Customer accidents</th>
<th>Total visitors in period</th>
<th>Accidents per 1,000 visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2011 to March 2012</td>
<td>1,355</td>
<td>1,712,408</td>
<td>0.79</td>
</tr>
<tr>
<td>April 2012 to March 2013</td>
<td>1,439</td>
<td>1,807,609</td>
<td>0.80</td>
</tr>
</tbody>
</table>

4.10 Accidents at Guildford Lido and Ash Manor are minimal by comparison due to the nature of the facilities. The number of accidents at these sites has not shown any significant change compared to the previous period.

**Staff**

4.11 Operationally, the numbers of staff deployed have matched the specification requirements.

4.12 There has been a small number of staff changes and adjustments to the management structure which included two redundancies during the period; however, there has been no significant change in the overall number of staff employed as these posts were transferred to more customer facing roles. These changes had no financial implications for the council.

**Quality Assurance**

4.13 QUEST, the quality assurance scheme for leisure, was restructured and it was agreed that the facilities would not be assessed until 2013-14. The new QUEST structure is different and is a three stage process. All three sites are scheduled to go through the initial stage in 2013.

**5. Financial Implications**

5.1 FL paid the Council an averaged management fee by direct debit for operating the leisure facilities of £906,814 for 2012-13, which is subject to Retail Price Index variation over the ten year life of the contract.

5.2 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.

5.3 FL did not make a surplus in the period (1 April 2012 to 31 March 2013) and was £38,822 under their bid target. FL generated more income than their bid target but their expenditure was also higher. This shortfall has no effect on the Council’s management fee.

5.4 Officers receive information on financial performance and service delivery on a regular basis. This information has developed over the period of the contract; however, the format of some of this information still does not meet Council expectations and officers continue to work closely with FL to address this issue.
5.5 FL’s financial statements for each site comparing actual performance against the original bid proposal are set out in **Appendix D**.

5.6 A graph showing the bid proposal management fee during the ten year life of the contract is set out in **Appendix E**.

5.7 The Council and FL share utility risks for electricity and gas. FL is responsible for usage and the Council is responsible for tariff changes. The operator has a degree of stability for utility costs throughout the contract and this resulted in a better management fee for the Council. Carbon Reduction Charge (CRC), or any other carbon taxation scheme, is solely the responsibility of FL.

5.8 In 2012-13 the Council’s utility costs amounted to:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Council cost (£)</th>
<th>FL utility cost (£)</th>
<th>FL CRC cost (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>90,587</td>
<td>496,027</td>
<td>49,456</td>
</tr>
<tr>
<td>Gas</td>
<td>31,788</td>
<td>205,006</td>
<td>13,142</td>
</tr>
<tr>
<td>Total</td>
<td>122,375</td>
<td>701,034</td>
<td>62,598</td>
</tr>
</tbody>
</table>

5.9 Officers work closely with FL on energy management schemes, e.g. the new CHP scheme, due to the energy demands of the facilities. Details of FL’s energy management schemes are set out in their Annual report (**Appendix B** Section 12).

5.10 There are no other financial implications outside the constraints of the contractual relationship between the Council and the leisure operator.

6. **Legal Implications**

6.1 There are no legal implications outside the existing contractual obligations.

7. **Human Resource Implications**

7.1 There are no HR implications arising from this report.

8. **Customer and Community Scrutiny Committee 22 October 2013**

8.1 In response to a number of questions from councillors the following issues were explored at the meeting of the Customer and Community Scrutiny Committee on 22 October 2013:-

- Levels of cleanliness, complaints and the customer satisfaction survey data
- future energy management plans
- service objectives detailed in paragraph 3.10 of this report
- likelihood of generating a surplus in future years
- access schemes for elite athletes
- accident statistics
- marketing and communication approach
- opening hours of Guildford Lido in periods of good weather.
9. Conclusion

9.1 The leisure management operator is currently complying with the contractual agreement standards set out in the detailed service specification.

9.2 There continues to be investment in the facilities by both the operator and the Council to ensure their sustainability.

9.3 The format and content of some of the monitoring information will continue to be developed.

9.4 The feedback from the customers is very positive, although there are clearly opportunities for further improvements.

9.5 The content of the objectives set out in the LPA are broad and remain relevant; however, they should be considered annually to ensure they remain relevant to the Council's priorities and objectives.

10. Background Papers

None

11. Appendices

Appendix A – Summary monitoring arrangements
Appendix C - Customer Satisfaction Survey
Appendix D – Accounting statements for Spectrum, Lido and Ash
Appendix E – Graph showing the leisure contract management fee over the ten year life of the contract
Appendix A – Summary monitoring arrangements

i. The Council has a leisure partnership agreement (LPA) with GLL. This is a legal contract which contains a detailed specification of all aspects of the service and its delivery, details of the submitted successful bid including method statements, financial and staffing breakdowns, leases for the venues, building condition surveys, asset registers, performance management system, TUPE info etc.

ii. Councillors consider an annual report on performance of the leisure operator as part of the regular committee cycle.

iii. The leisure operator is required to submit business plans, marketing plans, sports development plans, environmental plans etc each year for agreement by the Council’s client officer.

iv. There is a performance monitoring system in place with self-monitoring reports, which include the possibility of fining the leisure operator should standards not meet expectation. For continued poor performance, there is a mechanism within the contract to extricate the Council from it.

v. The Council has the ability to change the specification and there is a mechanism that can be applied to calculate the financial implications of a change.

vi. The Council approves the core prices (i.e. non-commercial) for the three sites as per the previous arrangements prior to transfer.

vii. The Council client officer is responsible for developing the partnership with the leisure operator and responsible for monitoring day to day service undertaking visits to review performance, discussing investment proposals and developing projects of mutual benefit. The client officer can investigate and resolve any specific issues from unhappy customers/groups etc.

viii. A client monitoring group meets every other month with a set agenda covering financial performance, technical, quality, event, customer comments etc. which the lead councillor attends.

ix. Accounts/management info is submitted throughout the year for monitoring purposes and 100 per cent of any surplus over the management fee passed to the Council at contract year-end.

x. All capital investment proposals have to be agreed through the client monitoring group prior to their implementation.
Appendix B - Freedom Leisure Annual Report 2012-13
Summary customer survey feedback

Customer satisfaction indicator - complex wide - October 2012

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Expectation</th>
<th>Performance</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parking</td>
<td>4.65</td>
<td>4.38</td>
<td>94%</td>
</tr>
<tr>
<td>2. Facility Cleanliness</td>
<td>4.86</td>
<td>3.92</td>
<td>81%</td>
</tr>
<tr>
<td>3. Availability of Information</td>
<td>4.50</td>
<td>4.19</td>
<td>93%</td>
</tr>
<tr>
<td>4. Publicity</td>
<td>4.14</td>
<td>4.04</td>
<td>98%</td>
</tr>
<tr>
<td>5. Coaches and Instructors should be friendly</td>
<td>4.84</td>
<td>4.16</td>
<td>86%</td>
</tr>
<tr>
<td>6. Management encourage customer suggestions</td>
<td>4.42</td>
<td>3.57</td>
<td>81%</td>
</tr>
<tr>
<td>7. Management should be visible.</td>
<td>3.95</td>
<td>3.36</td>
<td>85%</td>
</tr>
<tr>
<td>8. Activities offer value for money.</td>
<td>4.75</td>
<td>4.03</td>
<td>85%</td>
</tr>
<tr>
<td>9. Equipment and features of high quality.</td>
<td>4.88</td>
<td>3.93</td>
<td>81%</td>
</tr>
<tr>
<td>10. Catering should provide value for money.</td>
<td>4.35</td>
<td>3.50</td>
<td>80%</td>
</tr>
<tr>
<td>11. Choice of food and drink including healthy options.</td>
<td>4.33</td>
<td>3.41</td>
<td>79%</td>
</tr>
<tr>
<td>12. All staff should be friendly, polite, knowledgeable and easily identifiable.</td>
<td>4.83</td>
<td>4.05</td>
<td>84%</td>
</tr>
<tr>
<td>13. All staff should be smartly dressed.</td>
<td>4.14</td>
<td>4.11</td>
<td>99%</td>
</tr>
<tr>
<td>14. All staff should provide excellent customer care.</td>
<td>4.77</td>
<td>3.93</td>
<td>82%</td>
</tr>
<tr>
<td>15. Activities programme should suit all ages and abilities.</td>
<td>4.62</td>
<td>4.17</td>
<td>90%</td>
</tr>
<tr>
<td>16. Telephone should be answered efficiently and in a friendly manner.</td>
<td>4.61</td>
<td>3.75</td>
<td>81%</td>
</tr>
<tr>
<td>17. Facilities should be available at convenient times.</td>
<td>4.63</td>
<td>4.06</td>
<td>88%</td>
</tr>
<tr>
<td>18. Service at Reception should be fast and convenient.</td>
<td>4.69</td>
<td>4.18</td>
<td>89%</td>
</tr>
<tr>
<td>19. Activities should be accessible for disabled customers.</td>
<td>4.67</td>
<td>3.83</td>
<td>82%</td>
</tr>
<tr>
<td>20. The facility should be 'the' place to go for young people.</td>
<td>4.21</td>
<td>3.89</td>
<td>92%</td>
</tr>
<tr>
<td>21. The facility should offer great family entertainment.</td>
<td>4.42</td>
<td>4.28</td>
<td>97%</td>
</tr>
</tbody>
</table>

**Average score customer satisfaction** 87%

This table was produced by measuring customer expectation on a scale of 1 to 5 against performance measured on the same scale. Performance is expressed as a percentage of expectation. The overall average score was calculated by adding up the percentage outcomes and dividing by the number of attributes. This is the same process across the same categories as in 2010.
Appendix D – Freedom Leisure accounting statements for Spectrum, Lido and Ash
Leisure contract management fee

Year

- Averaged net management fee
- Bid estimated out turn after management fee
- Net position income less expenditure
- Averaged net management fee (inc Woking adj)