



**COUNCIL - 25 January 2024**

**FREEDOM LEISURE: ADDITIONAL FUNDING FOR FREEDOM LEISURE DUE TO THE INCREASED COST OF ENERGY**

**Report of the Director of Community & Environmental Services**

**Report Author and Contact Details**

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**Wards Affected**

District wide

**Report Summary**

This report outlines the request for additional funding to support Freedom Leisure with the increased utility costs for the 3 financial years from 2023/24 to 2025/26.

**Recommendations**

1. That approval be given to a supplementary revenue budget for 2023/24, financed from the General Reserve, to support the partnership in addressing the significant increase in energy costs up to the value of £85,587.
2. That approval be given to financial support to assist the partnership in addressing the significant increase in energy costs up to the value of £34,116 in 2024/25 and £31,682 in 2025/26, with these amounts to be reflected in the budget for 2024/25 and the Medium-Term Financial Plan for 2025/26.
3. That this financial support is to be ring-fenced to the Derbyshire Dales contract and paid to Freedom Leisure on a monthly basis through open book accounting and monthly meetings with the contract managers up until 31<sup>st</sup> March 2026.

## **List of Appendices**

Appendix 1 - Freedom Leisure 3-year business plan (Restricted)

Appendix 2 - Freedom Leisure 3-year business plan (Redacted, Public)

Appendix 3 - Freedom Leisure Mitigation Report

## **Background Papers**

[Urgent support for public sport and leisure services | Local Government Association](#)

## **Consideration of report by Council or other committee**

No

## **Council Approval Required**

Yes

## **Exempt from Press or Public**

No

# ADDITIONAL FUNDING FOR FREEDOM LEISURE DUE TO THE INCREASED COST OF ENERGY

## 1. Background

- 1.1 The District Council has four leisure centres, sited in Ashbourne, Bakewell, Matlock and Wirksworth. The leisure centres provide vital health, leisure and wellbeing services to our local communities, with over 841,322 visitors to the facilities in 2022/23. (A rise from 755,466 21/22 showing the recovery from Covid).
- 1.2 Following a strategic review of the Leisure service in 2016 and a subsequent options appraisal in 2018, the management and development of the leisure centres was outsourced to Freedom Leisure, a not for profit organisation, in August 2018. The procurement was achieved through a competitive tendering process, with final approval given by Members on 3 May 2018.
- 1.3 Freedom Leisure is one of the UK's leading charitable and not-for-profit leisure trusts. They manage leisure and cultural services on behalf of over 25 Local Authority partners and operate more than 100 leisure and cultural venues across England and Wales, including over 60 swimming pools.
- 1.4 As a result of outsourcing the service, the District Council was set to achieve savings of circa £4.9m over the 10-year contract life.
- 1.5 The annual management fee paid to Freedom Leisure reduces over the life of the contract, as noted in the table below, and is paid on a quarterly basis.

2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
£'000	£'000	£'000	£'000	£'000	£'000	£'000
177.48	90.70	90.59	90.49	90.40	90.31	-44.84

- 1.6 Unfortunately, during the final stages of securing the contract, a national agreement on the Local Government Pay Award took place, resulting in a reduction in the level of savings. Under the terms of the contract, adjustments are made each year to reflect the 2018/19 and 2019/20 pay awards. The table above reflects the payments due to Freedom Leisure as a management fee after adjustments made to date (around £115,000 per annum).
- 1.7 In August and November 2020, the Council approved financial support for Freedom Leisure up to a total of £366,613, due to the COVID-19 pandemic and associated restrictions, including a 9 month closure of the leisure centres.
- 1.8 Following the relaxation of COVID-19 restrictions, officers worked closely with Freedom Leisure's senior management team in assessing mitigating measures and levels of spend, including the introduction of open book accounting. This approach, along with a quick recovery in the performance of the business, meant that the "Covid-19" support paid to Freedom Leisure in 2020/21 was £182,670, resulting in a budget underspend of £184,000, which the Council transferred back into reserves.

- 1.9 Due to the extraordinary increase in utility costs nationally, the fitness and leisure sector is finding it extremely challenging to cover these costs and in September 2022 Freedom Leisure requested financial support.
- 1.10 On 24 November 2022 Council approved financial support for Freedom Leisure to cover 75% of their rise in utility costs, with payments being capped at £204,000. This was for a 6- month period up until 31 March 2023.
- 1.11 Following a national survey by UKactive in November 2022, The Local Government Association published the following:

*'Without the Government's support it is anticipated that 40 per cent of council areas will lose their leisure centres or will see reduced services before 31 March 2023, and three quarters (74 per cent) of council areas are classified as 'unsecure', meaning there is risk of the closure of leisure centres or reduced services before 31 March 2024'.*

- 1.12 Earlier in 2023, news reports regarding the potential closure of Belper Leisure Centre demonstrate the impact that the energy increases are having on the Leisure Industry, the centre's energy costs have risen from £112,000 to £480,000 and are looking for support to cover the £360,000 deficit in order to remain open.

## **2. Key Issues**

- 2.1 In February Freedom Leisure provided a report to Officers which outlined a request for financial support of £730k to cover the increase of energy costs for 2022/23, which was an estimated 500% increase. This amount was revised to £626k in a follow up report.
- 2.2 In June 2023 Officers and representatives from Freedom attended a workshop with members to discuss the financial pressures the Leisure industry were under and the impact this had on Freedom Leisure in Derbyshire Dales District Council.
- 2.3 Freedom Leisure provided a 3-year business plan which showed a deficit of £405,147 over the 3 years, mainly attributed to the increase in energy costs.

Freedom Leisure were requesting the council support with these deficits broken down over the next 3 years.

- 2023/24 - £190,193
- 2024/25 - £109,279
- 2025/26 - £105,675

- 2.4 Shortly after the June meeting Sport England announced a £60million support fund to support Swimming Pool facilities with the impact of increased costs. Phase 1 - £20m revenue to support facilities at risk of closure and phase 2 - £40m capital to improve energy efficiencies within facilities to reduce long term costs. The report to members to request the financial support outlined in 2.3 was delayed allowing a bid to go in for phase 1 of the funding.

- 2.5 The joint partnership bid submitted by officers of the District Council and Freedom Leisure was successful in receiving £29,679 to support the increased costs at Bakewell Swimming Pool.
- 2.6 Following the successful funding bid and achievements of Freedom Leisure improving the financial position, the request for support is now a total of £151,385 (was £405,147) over the 3 years split into:
- 2023/24 - £85,587 (was £190,193)
  - 2024/25 - £34,116 (was £109,279)
  - 2025/26 - £31,682 (was £105,675)

### **3. Options Considered and Recommended Proposal**

- 3.1 As well as Option 1 - the Council providing 100% of the requested revenue outlined in 2.6 of this report, there are 2 further options outlined below. Option 2 is included in the Freedom Leisure Mitigation report (appendix 2).

In Summary these are:

#### **Option 2**

Whilst continuing to work in partnership with Derbyshire Dales District Council further mitigation options would need to be considered to support the services across the community.

The agreement would need to be reached with Derbyshire Dales District Council with further mitigation that would need to include one or more potential options below:

- Reduction of service – This could include significant reductions in operations
- Reduction of operating hours – Operating hours of facilities could drastically decrease to support further savings, this could include sites only opening at peak times
- Reduction of employment hours – Employment hours and overall staffing levels across the 4 sites
- Reduction of maintenance within the facilities

#### **Option 3**

Do nothing – doing nothing in reality would not put an end to the matter. It would mean that the Council does nothing for now and simply waits for Freedom Leisure to instigate their various rights under the contract. It does not guarantee the centres continue to operate at the same level they currently do.

### **4. Consultation**

- 4.1 No Consultation required at this stage.

## **5. Timetable for Implementation**

- 5.1 If approved the financial support ring-fenced is to be paid to Freedom Leisure on a monthly basis through open book accounting and monthly meetings with the contract managers up until 31<sup>st</sup> March 2026.

## **6. Policy Implications**

- 6.1 No policy implications.

## **7. Financial and Resource Implications**

- 7.1 This report recommends that the District Council provides additional financial support to Freedom Leisure in the financial years 2023/24 to 2025/26 up to the value a total of £151,385 over 3 financial years as follows:
- 2023/24 - £85,587
  - 2024/25 - £34,116
  - 2025/26 - £31,682
- 7.2 There is no provision in the 2023/24 revenue budget for this amount. Therefore, approval is sought for a supplementary revenue budget of £85,587 in 2023/24. The additional spending could be financed from the General Reserve as the Council's Medium Term Financial Strategy allows the General Reserve to be used for "one-off" expenditure. The General Reserve currently has a balance of circa £3m.
- 7.3 Subject to Members' approval of this report, the sum of £34,116 would be included in the draft budget for 2024/25 and the sum of £31,682 would be included for 2025/26 in the as part of a revision of the Medium-Term Financial Plan, both of which are due to be approved by Council on 29<sup>th</sup> February.
- 7.4 It is recommended that this financial support is to be ring-fenced to the Derbyshire Dales contract and paid to Freedom Leisure on a monthly basis to cover actual expenditure by Freedom Leisure evidenced through open book accounting and monthly meetings with the contract managers up until 31<sup>st</sup> March 2026.
- 7.5 The financial risk is assessed as Medium.

## **8. Legal Advice and Implications**

- 8.1 This report outlines the request for additional funding to support Freedom Leisure with the increased utility costs for the 3 financial years from 2023/24 to 2025/26.
- 8.2 There are 3 decisions recommended to be taken as detailed at the beginning of this report, the legal risk of challenge when taking the decisions as set out has been assessed as low.

## **9. Equalities Implications**

- 9.1 There are currently no equality impacts contained within this report.

## 10. Climate Change Implications

10.1 No Climate Change implications within this report.

## 11. Risk Management

11.1 The risks of the financial support not being awarded would be to consider alternative options in line with mitigations within section 3 of the report. Any further considerations would be discussed between Council Officers and Freedom Leisure before returning to members in a further report.

### Report Authorisation

Approvals obtained from:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Paul Wilson	17/01/2024
Director of Resources/ S.151 Officer	Karen Henriksen	15/01/2024
Monitoring Officer (or Legal Services Manager)	Helen Mitchell	17/01/2024