

Derbyshire **DALES**



District Council

3 YEAR BUSINESS PLAN

2023 - 2026

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1. INTRODUCTION

1.1 Overview

Freedom Leisure commenced a 10-year contract to manage Derbyshire Dales District Council's leisure facilities in August 2018. Facilities as part of the contract are Arc Leisure Matlock, Ashbourne Leisure Centre, Bakewell Swimming Pool and Wirksworth Leisure Centre

The Leisure Partnership Agreement will be entering its 5th year, having commenced on 1st August 2018.

Overall the contract has seen significant growth from its initial start point in 2018. However, this has been disrupted throughout multiple occasions with the pandemic. There were significant losses in overall customer bases after the COVID closures, which has caused the aim to return to a minimum of Pre-COVID levels. There has been a mixed performance across the contract with some individual sites back at Pre COVID figures, but some sites still have some growth needed to reach these numbers.

Capital Investment

Previous reports will reflect the capital investment that has been in the contract from the 1st August 2018, some of these investments have included:

Soft Play Addition to the Arc Leisure, Matlock :

Approximately £1m investment in the addition of a 5 storey soft play for the local community. This reduced the overall sports hall size, by 1 court and allowed the development of a dedicated Spinning Studio and an additional Group Exercise Studio.

Bakewell Pool Changing Rooms:

Changing areas have been updated to a modern style, improving accessibility for customers. As well as the addition of a dedicated fitness suite for the community of Bakewell.

Ashbourne Leisure Centre:

Squash court 1 upgrade, which was converted to a dedicated spinning studio, including virtual spinning. The remaining 2 Squash courts were also upgraded with refurbishment work to the floor and the walls.

Environmental focus

Freedom Leisure has a strong and clear commitment to Sustainability within our operations. It is important that we continue to focus on the things that we can control such as energy efficiency, providing our customers with a great experience and commerciality - ensuring we take every opportunity to maximise our income balanced with reducing our costs. An energy action plan has been created and reviewed including:

- Energy audits
- Review time schedules and set points of heating systems
- Efficient management of air conditioning
- Staff training on housekeeping
- Improve waste management across the contact

Freedom Strategy Wheel



objectives and purpose

Our leisure trust status means it is not all about the finances – our focus is on:

- Increasing participation
- Improving services
- Delivering quality services and experiences for our customers
- Supporting “Active Communities”
- Reducing negative environmental impact
- Delivering for clients and customers
- Developing and rewarding our people

2. CURRENT TRADING POSITION (August 2018 – April 2023)



2.1 Reflection

Freedom Leisure has had continued success in the contract since the commencement in August 2018. There has been significant investment in the contract to ensure that the facilities are best set to serve the community of Derbyshire Dales.

Since the transfer in 2018 we have seen an uplift of key participation lines that include:

- Learn to Swim Schemes +808 weekly participants.
- Membership +610 annual and direct debit members.
- Participation +131,322 increase on attendees.

2.1.1 Arc Leisure Matlock

The Arc has received significant investment in the development of Soft Play, which was able to provide another activity and purpose built area for younger children within the community. This has enabled the Arc to further target under 8's activity. The Arc, like many of the other centres across the contract, has seen significant growth in the Learn to Swim programme and the overall membership base since the beginning of the contract.

During this time the Arc has also delivered a 24% reduction in utility consumption in comparison to year 2019-20.

The Arc position in recovery from 2019-20 pre-pandemic figures is as follows:

- Overall Participation 93%
- Membership 98%
- Learn to Swim 126%

2.1.2 Ashbourne Leisure Centre

Ashbourne Leisure Centre has continued its growth throughout the commencement of the contract, with again a significant uplift in Learn to Swim numbers, as well as growth in the overall membership base.

Ashbourne has delivered a 10% reduction in utility consumption in comparison to the utility usage in 2019-20.

Ashbournes position in recovery from the pandemic is as follows:

- Participation 105%
- Membership 105%
- Learn to Swim 155%

2.1.3 Bakewell Swimming Pool

Bakewell Swimming Pool like the other centres has continued to increase on performance and figures since the beginning of the contract. The learn to swim numbers have significantly increased, as well as overall participation.

Bakewell delivered a 1% reduction in utility consumption in comparison to year 2019-20. This smaller reduction relates to the upgrade of the pool plant and the boilers within the centre resulting in the full facility being closed for a period of circa 3 weeks. A 2 week closure at the end of March 2020 within the pandemic also compounds the comparison between 2019-20 and current performance.

Bakewells position in recovery from the pandemic is as follows:

- Participation 100%
- Membership 87%
- Learn to Swim 115%

2.1.4 Wirksworth Leisure Centre

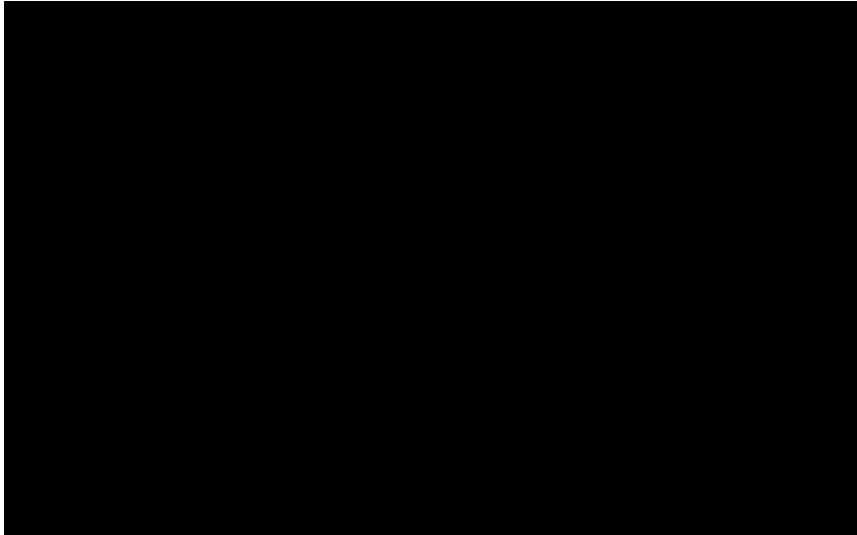
Wirksworth Leisure Centre like the other centres has continued to increase on performance and figures since the beginning of the contract.

Wirksworth has delivered a 28% reduction in utility consumption in comparison to year 2019-20.

Wirksworths position in recovery from the pandemic is as follows:

- Participation 93%
- Membership 89%

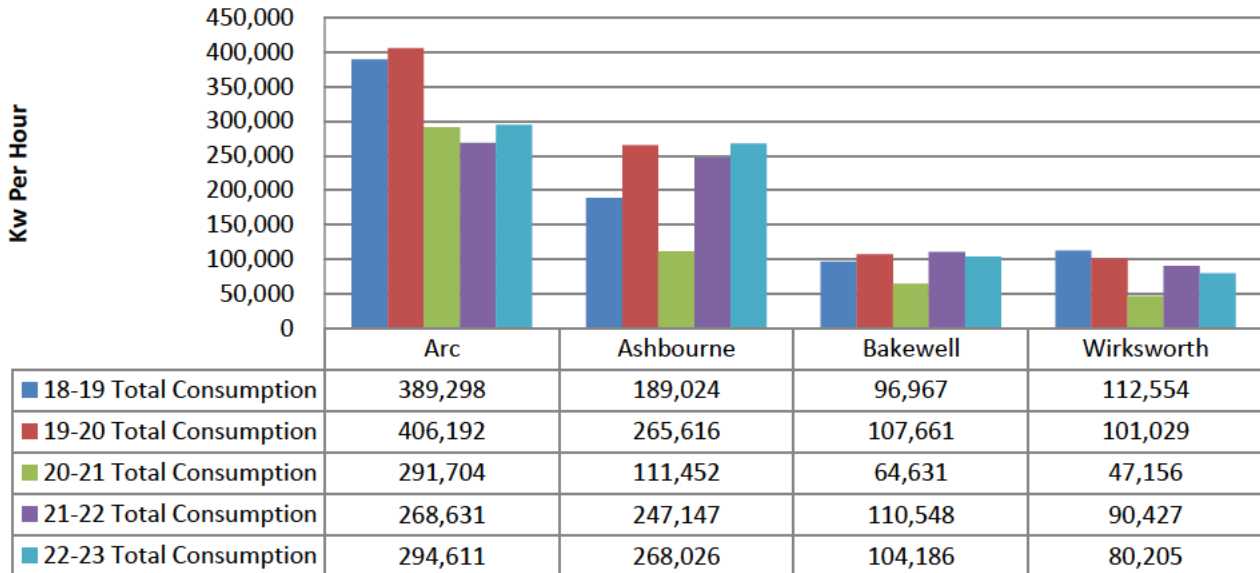
2.1.5 2022-23 Financial Performance



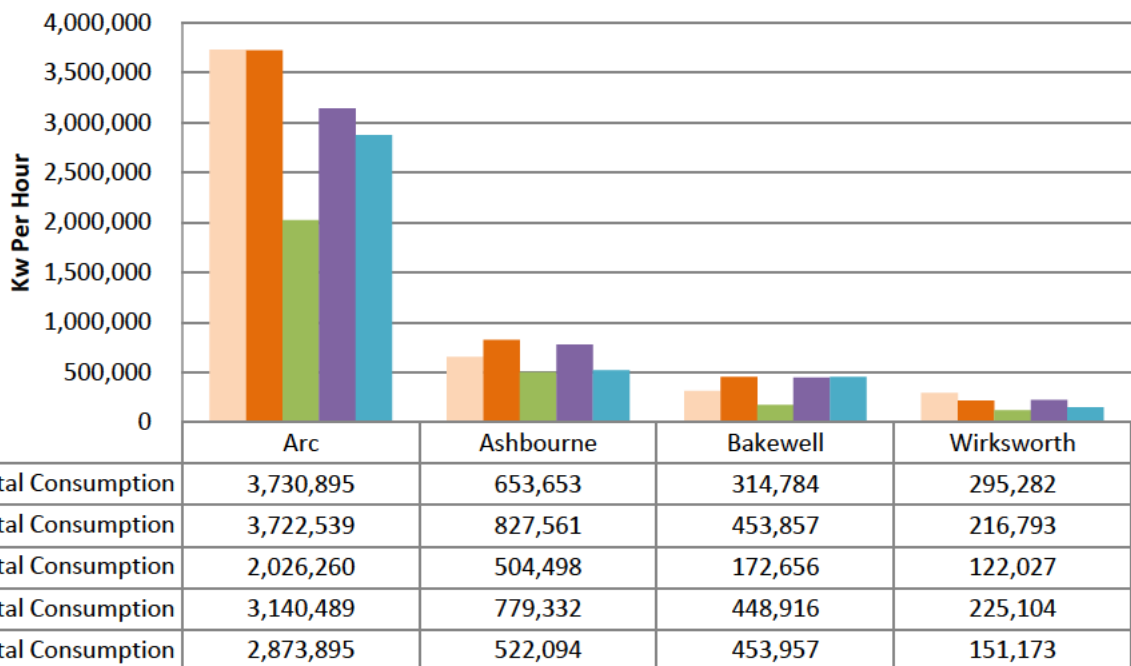
- The information and make-up of other costs are detailed on page 13.

2.2 Utility reduction – 2018 to date

Electric - Aug 2018 - March 2023



Gas - Aug 2018 - March 2023



3.0 Utility Challenge

3.1 Forecasted Utility Challenge – 3 Years

Site Name	Type	2019/20 Cost	2020/21 Cost	2021/22 Cost	2022/23 Cost	Forecasted 2023/24
Arc Leisure	Gas	£ 122,101	£ 66,388	£ 90,006	£ 229,294	£ 165,633
	Electricity	£ 57,362	£ 44,387	£ 40,795	£ 68,328	£ 73,845
Ashbourne Leisure Centre	Gas	£ 32,078	£ 15,746	£ 22,433	£ 45,834	£ 11,100
	Electricity	£ 47,767	£ 17,508	£ 37,592	£ 66,137	£ 195,502
Wirksworth Leisure Centre (DU)	Gas	£ 8,580	£ 5,129	£ 7,531	£ 15,063	£ 11,455
	Electricity	£ 19,987	£ 7,671	£ 14,131	£ 22,836	£ 26,690
Bakewell Swimming Pool	Gas	£ 16,012	£ 5,300	£ 12,177	£ 36,736	£ 24,114
	Electricity	£ 18,272	£ 9,732	£ 16,201	£ 23,858	£ 34,870
Area Total	Gas	£ 178,771	£ 92,563	£ 132,147	£ 326,927	£ 212,303
	Electricity	£ 143,388	£ 79,298	£ 108,719	£ 181,159	£ 330,907
	Total Utility Cost	£ 322,159	£ 171,861	£ 240,866	£ 508,086	£ 543,210
					Increase from last full year operation 2019-20	£ 221,051

In late February 2023, new contracts were negotiated and signed on the basis of a 2 year fixed Electricity contract and 3 year flexible Gas contract. These have resulted in an improved position where prices are now roughly 2 times the tariffs prior to October 2022. The reason for taking the flexible contract for Gas was to allow FL to benefit from the forecasted drop in wholesale prices. Unfortunately at the time of needing to sign the new contracts, there was not a Flexible Electricity contract available from any supplier. This strategy has worked well and we have been able to secure substantial savings compared to if we had bought gas at the fixed rate available at time of purchase.

Freedom Leisure are continuing to monitor the wholesale market, especially for Gas, and are taking advice from their brokers on buying periods for the coming 3 years to ensure opportunities for reduced pricing are taken. Options to extend the current fixed electricity contract and/or use a flexible strategy moving forward are currently being explored in order to secure the best possible rates into the future.

Years 2020/21 and 2021/22 have lower overall costs due to the closures throughout the pandemic period.

Ashbourne utility increase and changes

With Derbyshire Dales District Council and Freedom Leisure working on the continuous journey towards de-carbonisation the Ashbourne PSDS/ASHP project has progressed throughout the year of 2022-23. Unfortunately due to further issues within the project the current de-carbonisation project is now expected to be finalised in Q4 of the 2023-24 year. The ASHPs are now the main provider of energy to the site.

With this project there is a significant change in forecasted electricity consumption (Approx. 110,000 kWh), which reflects a decrease in the required gas forecast for the site.

To ensure the project continued on the required timescales, FL were required to sign a contract in December 2022. The charges are roughly double the rates we are paying at the other centres, however as you will see in the further forecasts a new energy tariff has been signed by FL from Jan 24, that has decreased the rates charged.

Arc forecast and projections

The Arc is forecast to see a larger reduction in electricity import from the grid due to an anticipated increase in self-generation from the CHP. Unlike Wirksworth and Bakewell, Arc therefore sees a disproportionately higher increase in gas budget.

4.0 Solution and Forecast

Performance year to date

The year 1 forecast has been updated to reflect year to date performance and predicted forecast for the remainder of the year.

It is worth noting that there continues to be a decrease in gas costs, which have supported the reduction in overall utility costs.

However, this year there has been further additional repair costs that were not budgeted for. Please see below a small summary of the additional costs totalling c£50k this year.

- Ashbourne – Pipework repairs relating to the PSDS project - £19k
- Ashbourne – Secondary system dosing and flushing – Relating to the PSDS project - £14k
- Arc – Supply fan motor (Poolside AHU) - £8k
- Arc – Moveable floor repairs - £7k

To ensure the continued growth and positive impact on the community Freedom Leisure have invested into the facilities these investments include

- c£45k investment into a new lead climbing wall at Wirksworth Leisure Centre (Expected completion early 2024)
- c£10k investment into a new pool hoist for the Arc Leisure, supporting accessibility of the facilities for the community

The figures reflect an overall improvement in the below forecasted position, whilst the above issues have presented a challenge we have managed to mitigate areas to support.

The below forecast for year 1 includes the Swimming Pool Support Fund to the sum of £30k that has been received for Bakewell. There has also been positive work on reducing the cost of repairs and maintenance, but what has significantly helped is the improved position of overall utility costs, this has reduced significantly from the previous report.

Ashbourne has entered into a new energy tariff from January, which the rates are roughly ½ of the previous rates from the short term deal.

4.1 Year 1 Forecast



**The above table for utilites includes water rates.*

With the utility impact already being a concern, the following areas will be key focuses for year 1 to mitigate the uplift in utility costs

- 10% Increase in income
- 10% Reduction in utility consumption
- 10% Reduction in colleague costs
- 3% Reduction in controllable expenditure

Increasing income :

This will be done through reviewing our current product offering to match the required level of service. A greater drive on marketing spend and exposure to display the positive impacts we are having on our communities health and wellbeing.

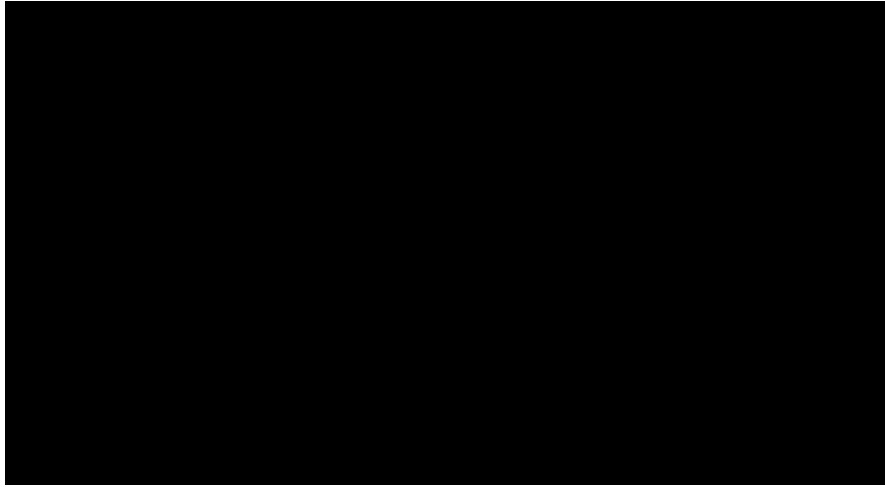
Reducing utility consumption :

Regular and continuous reviews of our current operating schedules and modules will be ongoing couple with a review of our operating temperatures including pools, fitness suites, studios and ambient room temperatures. Utilisation of in-depth reporting to take action of irregular readings is a key objective for the Area Facilities team.

Reducing colleague costs :

Constant review of operating levels and the viability of our products we offer. A planned approach to Up-Skilling colleagues to be able to support other departments rather than providing additional covering costs. We will conduct a regular review of roles to ensure business critical roles remain a focus.

4.2 Year 2 Forecast



Due to the predicted result and forecast off of the back of the volatile utility market the following mitigating actions will be taken to ensure the financial impact is minimised.

Please note the below actions will be continued into year 3 forecast.

Increase in income:

- Regular reviews in pricing in line with the market
- Increase marketing activity to help sufficiently drive footfall into the centre
- Product offering – expansion of products on offer within the centres to help drive participation
- Reviews of viability and sustainability of in centre products

Reduction in utility consumption:

- Regular and continuous reviews of trackable utility consumption data
- Reviews into upcoming energy equipment
- Training and education of colleagues
- Continuous work on the Energy Action Plans
- Review of operating times and schedules for buildings

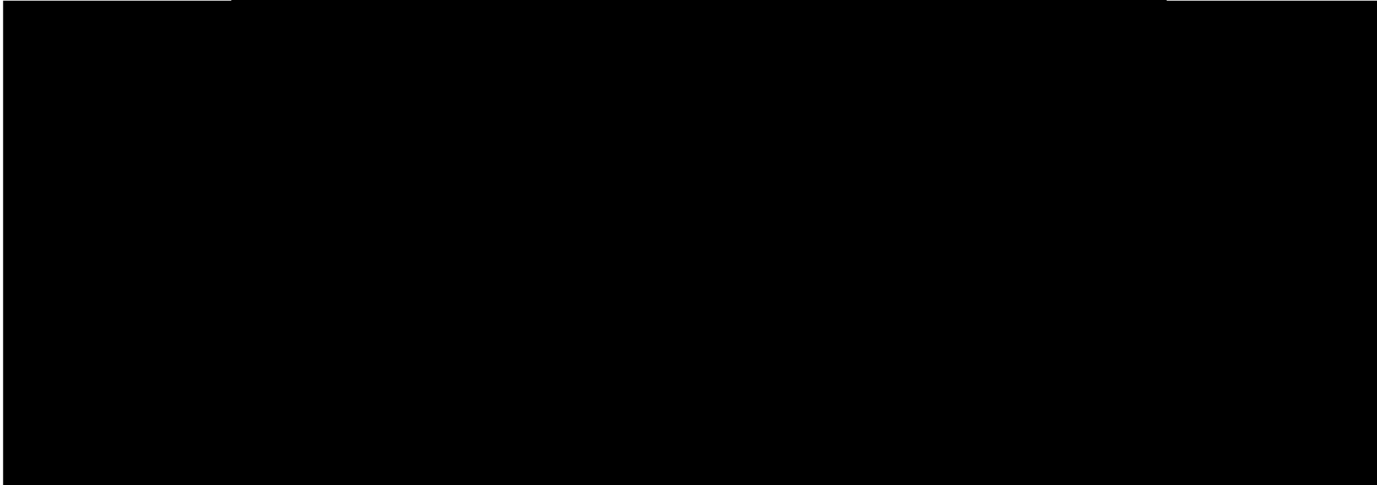
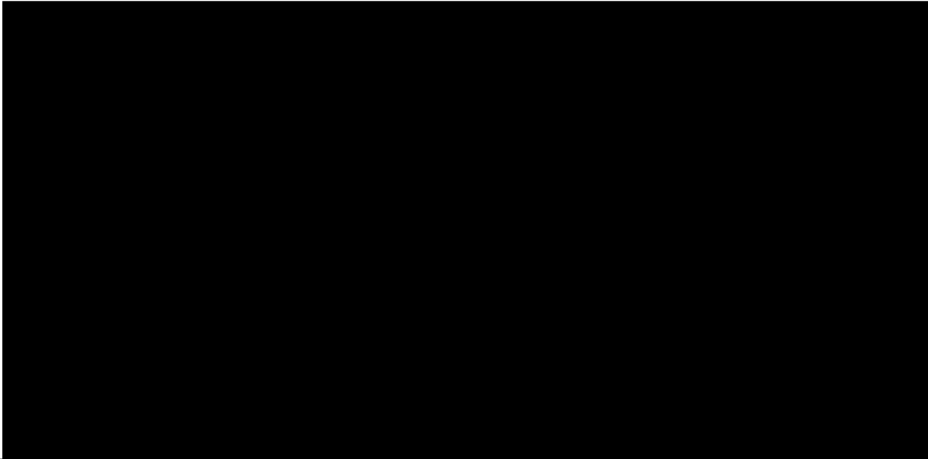
Reduction in colleague costs:

- Continued good governance of colleague rotas
- Regulated reviews of the viability of products/services
- Multi-Skilled colleagues throughout the centres
- Accuracy and reviews of colleague costings

Reduction in controllable expenditure:

- Regular review of centralised procurement costings
- Cost balanced in line with demand/need

4.3 Year 3 Forecast



Additional information for consideration

2022-23 Utility Support. This area displays the support provided by Derbyshire Dales District Council for the uplift in utility cost. Without this support the deficit position would have been -£213,315.

In the year 2022-23 the total impact of overall utility cost should be split into 2 sections – April 22 – Nov 22 was at the previous energy tariffs. Nov 22 – March 23 was at the increased energy tariffs. The year 2021/22 was £240,866 for total years utilities.

Other costs include

- Cleaning
- Administration
- Marketing and Advertising

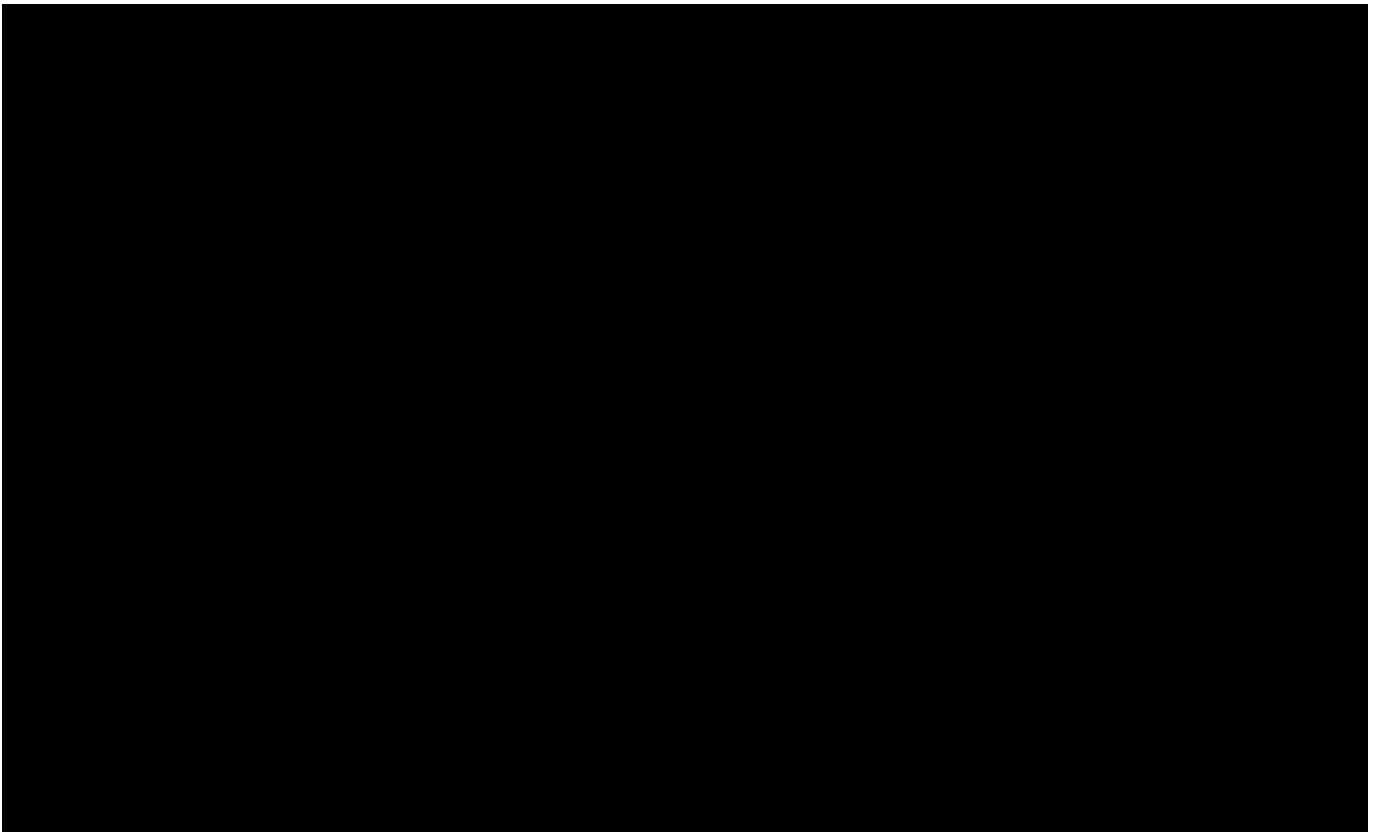
- ICT
- Events
- Goods for Resale
- Equipment
- Catering
- Management Fee
- Rent & Rates
- Insurance
- Finance Charges
- Professional Fees
- Central Overhead Recovery

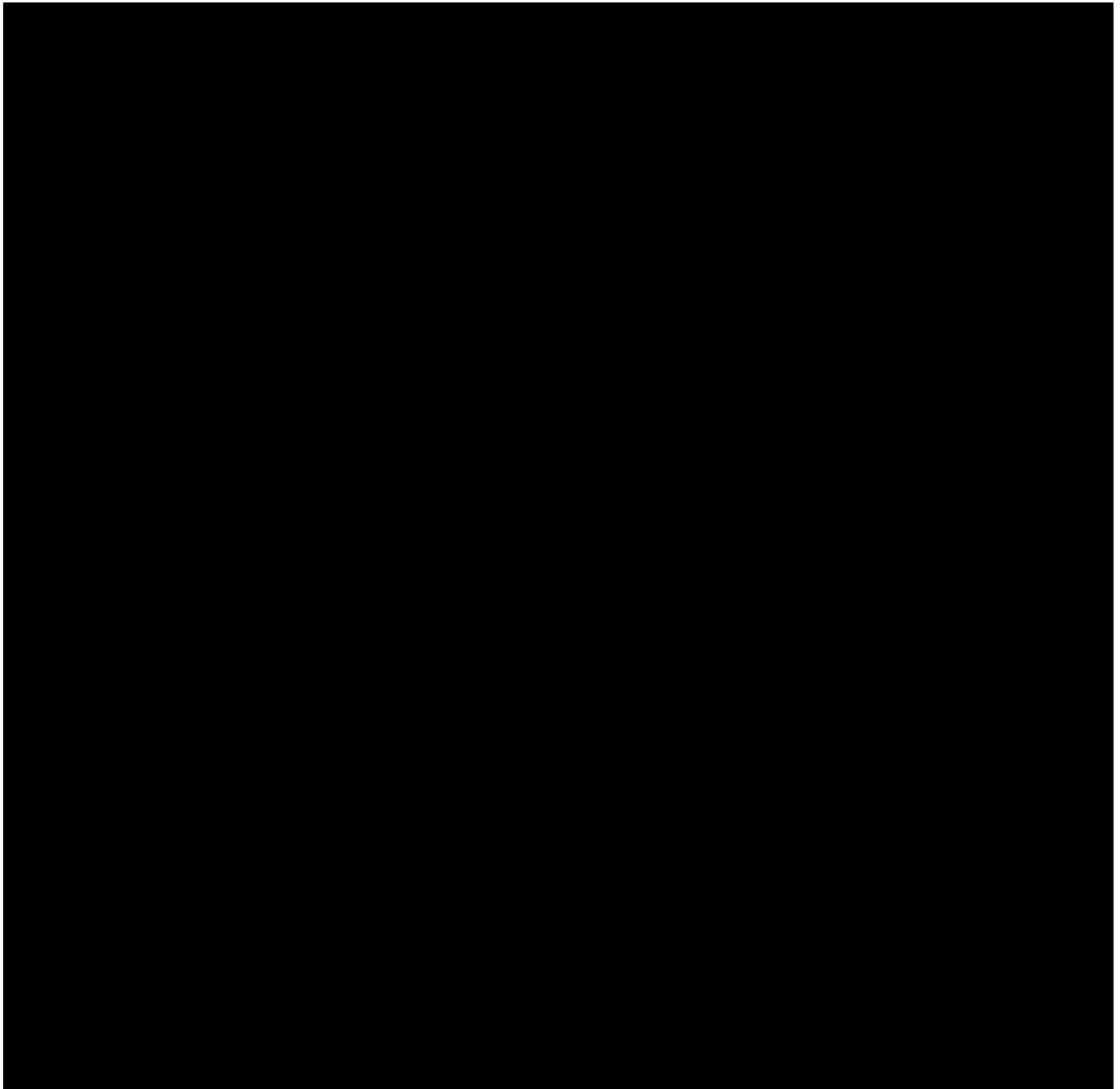
Staffing

Any increases in staffing costs are increases over RPI (National Minimum Wage etc)

The staffing costs do not consider the recent announcement of the additional national minimum wage increases from April 2024 which will increase the deficit further. At this point FL are determining the extent of this increase.

Below is the breakdown per site of the projection from 2023-26.





5.0 Recommendation/Summary

Freedom Leisure will continue in the coming years, to mitigate the challenges of the recovery from the utility crisis, but also other external factors including the cost of living challenge, by taking the action required as identified within this plan.

Our current position and forecast suggest that to deliver the full partnership offering to the community of the Derbyshire Dales we require financial support for the year of 2023 – 2024. With this level of support we will be able to continue to operate the full service level and positively “Improve Lives Through Leisure” in the Derbyshire Dales community.

Our 3 Year Plan identifies the steps we are proposing so that Freedom Leisure can ensure that we operate your service with reduced additional support moving into future financial years.

There is a further mitigation report that explains in detail some options that Derbyshire Dales District Council can also consider for 2023-26.

