

Partnership: Derbyshire Dales
Region: Wales & The North
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Request for Support 2023/24

Leisure Partnership: Contract Review – Including Utility Update

1. Summary:

This report seeks to outline a request for support in relation to the deficit position of the Contract following the recovery of the increases in global energy costs. It provides detail of both the mitigating actions taken since contract commencement together with a range of support requests to enable the partnership to continue to deliver vital health & wellbeing services on behalf of Derbyshire Dales District Council.

2. Current Position (updated):

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.

Government Support Update – Following the Swimming Pool Support Fund Phase 1 – “We” were successful in the application of funding to the amount of £30k to support Bakewell Swimming Pool.

Phase 2 – “We” have applied for Phase 2 of the Swimming Pool Support Fund, which is targeted at investment into centres that would help reduce utility consumption.

2023-24 Utilities

The additional utility costs predicted for 2023-24 are £221k (inc. VAT). The table below identifies the predicted increase, by site.

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

3. Business Plan with Mitigating actions

Throughout 2022/23 Freedom Leisure have focussed on 4 key areas to mitigate against spiralling energy costs. The focus has centred around:

- Increasing Income
- Reducing Staffing Costs
- Reducing Utility Consumption
- Reducing Other Costs

Increasing Income

Throughout 2022/23 we have been focussing on increasing income and participation to fully recover and surpass pre COVID 2019/20 performance levels. This has resulted in an uplift in performance in key areas that are identified in the table below:

Site	Recovery % Based on 19-20 Performance		
	Membership	LTS	Participation
Arc	98%	126%	93%
Ashbourne	105%	155%	105%
Bakewell	87%	115%	100%
Wirksworth	89%		93%

Area Total	95%	132%	98%
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The planning that has supported the uplift has included programme changes and scheme management in Fitness, Aqua and Learn to Swim (LTS) membership. In addition, we have implemented an improvement in the service to support new sales, improve retention that has been balanced with strategic marketing and promotions to engage with the local community. Participation recovery has been driven by reviewing centre offerings, and scrutinizing the utilisation of space within the centres. This work has been led by the Healthy Community Manager targeting hard-to-reach areas.

- **Price Rises**

The partnership implemented a mid-term price rise on 1st October 2022, and 1st April 2023 to offset the spiralling increase in energy costs. This price rise equated to an average increase of 7% in October, and 6% in April 23 across all of our products and services.

In addition, we have now approved a further price increase equating to an average of 7% in January 2024.

Reducing Staffing Costs

Throughout 2022/23 we have been focused on reducing staff costs to counter the threat of increasing energy costs. This has resulted in the following roles being removed at a corporate and contract level:

Corporate Roles removed:

- 2 x IT Support
- 1 x Payroll Officer
- 1 x HR Admin
- 1 x Procurement Admin
- 1 x Regional Manager
- 3 x Regional Swim Support Managers
- 1 x Group Customer Experience Lead
- 7 x Area Managers
- 10% Salary Reductions for the Executive Leadership Team

Derbyshire Dales Roles removed (Positions not filled when vacant):

- 1 x Fitness Lead
- 1 x Cleaner
- 1 x Receptionist
- 1 x Sales Advisor

The removal in Derbyshire Dales has had a direct impact on overall staffing expenditure. The above loss of roles equates to c93k per annum, however, the impact on service delivery will be affected if these roles are not supported and recruited moving forward.

Reducing Utility Consumption

Freedom Leisure has enacted a range of previous action, mitigations and support measures in order to reduce the risk of disruption, reduction and potentially loss of service. These include:

Ashbourne

- LED lighting upgrades to Gym, Pool Hall & Sports Hall
- Smart metering gas & electric
- £13,500 investment, £1,600 annual saving, 8.2year payback
- Savings on Electricity 14,242 KWH 5% & CO2 6 Tonnes 2%

Bakewell LC

- LED lighting upgrades throughout centre to include Pool Hall, Change Village & Gym
- Test Water Recycling
- Complete replacement of Pool Hall AHU
- Cleaning of existing duct work
- Smart metering gas & electric
- £88,500 investment, £8,500 annual saving, 10year payback
- Savings on Gas 243,814 KWH 63%, Electricity 22,829 KWH 14%, CO2 55 Tonnes 38% & Water 420 M3 9%
- Replaced old inefficient single 500kw boiler for 2 x 150kw high efficiency modulating boilers (2019)

ARC Matlock LC

- LED lighting upgrades to Sports Hall, Pool Hall & Cycle Studio
- Pool Sentry System for increased day time speed control of circulation pumps
- Test Water Recycling
- Kelda Eco Showers to Wet and Dry Change
- Smart metering gas & electric
- £116,100 investment, £16,100 annual saving, 7.2year payback
- Savings on Gas 21,778 KWH 0.7%, Electricity 123,935 KWH 14%, CO2 59 TONNES 6% & Water 840 M3 10%
- LED upgrade Phase 1 completed Aug 22 to the fitness suite, reception lobby, café seating area and management office.
- LED upgrade Phase 2 - We are currently in the process of completing phase 2 to include change village, WC's all other changing facilities and plant rooms.

Wirksworth

- Smart metering gas & electric

In addition to the above works we have been implementing good housekeeping measures to include;

- Weekly Teams meetings to review weekly and monthly gas & electricity data
- Regular review and tightening of all BMS time schedules
- Reduction in stored hot water temps by 1dg
- Reduction in boiler temps by 2dg except Arc due to CHP
- Reduced pool water temps where possible
- AC minimum set points increased to 20dg
- Implementation of Energy Non-Negotiable guidelines for staff and information for customers

3% Reduction in Costs

Freedom Leisure have actively reviewed all other costs and Planned Preventative Maintenance schedules and looked to reduce in areas that would not impact the business. The business plan target is to reduce overall costs by 3%. The current year end forecasted position across these codes suggests that we will be at least 3% under budget.

This has included:

- Utilising in house maintenance where possible.
- Greater review and detail into orders and better stock control.
- Reviewing wastage and stock rotation for catering goods.

4. The Outcomes:

Since the start of the partnership in August 2018 there have been significant and successful outcomes including growth in participation. Facilities have been improved through partnership capital investment and continued development and review of programmes throughout the service has provided significant value to the residents and visitors of the district. Some of the key milestone outcomes are listed below:

Partnership Outcomes	19 / 20	21 / 22	Impact of the Partnership
Total Participation	845,948	755,466	<ul style="list-style-type: none"> • 2019 – 20 – First full year of operation from the contract start date on August 2018 – In comparison to August 18 – March 19 there had been an uplift of circa 100,000 visits. Capital works had begun to take place bringing in the addition of Soft Play to the centre. • 2021 – 22 – Only 10% down on pre-pandemic levels, with site re-opening fully 12th of April there has a significant increase in footfall later on in the year had to compare year on year due to the previous year closures/lockdown, but a significant rise in the same period's year on year. Swimming delivered the greatest uplift with

			significant growth in the swimming lesson scheme as well as casual footfall
Swimming Participation	159,836	156,133	<ul style="list-style-type: none"> Casual swimming has begun to get back to pre-pandemic levels with a smaller margin needed to recover to hit the previous levels. Casual swimming through COVID had to pre-book sessions and we had to minimise numbers in terms of per lane etc... and pool space. The pool programming remains a constant focus, but there has been positive growth in terms of family swimming as well.
No. Children on Swimming Lessons	1,775	2,372	<ul style="list-style-type: none"> There has been significant growth in the LTS programme over the years, with figures significantly higher. The demand Post Pandemic has been met with pool reconfiguration based on need has helped benefit growth. There have been active marketing and Water Safety Talks held with schools locally to promote the importance in this life skill.
No. of staff employed	69	66	<ul style="list-style-type: none"> Re-alignment of key roles – Commercial Manager role now in place, Healthy Communities Manager and Area Manager roles have been put in place. Roles have changed within centre to reflect demand – e.g. lifeguard switch to cleaners etc.

Other bespoke programmes to Derbyshire Dales District have included:

Healthy Communities

- Walking sports – Netball and Football Contract Wide;
- Aqua Rehab sessions at the Arc – Strong referral programme in place;
- Programmes for Ukrainian Refugees;
- Platform housing chair-based exercise delivered in the Community;
- On-site Chair based classes in operation;
- Partnership with client on HAF programming Contract Wide;
- Delivery of Water Safety Roadshows to promote the life skill of learning to swim;
- Aquatic funded projects to support deprived areas (Ongoing);
- Live Life Better Derbyshire partnership;
- Derby County Community Support Trust Partnership;

With the pressure that is now being placed on the partnership as a result of the significant increases in energy costs, the continuation of these successful outcomes is now at risk. Should the partnership not be able to withstand these external economic shocks then vital health and wellbeing opportunities and services could be lost and in turn increase pressure on other local and central government services such as Health & Social Care.

5. Options:

Freedom Leisure requests that the following options be considered by Derbyshire Dales District Council in support of its community leisure portfolio and associated services:

Option 1

DDDC support the partnership to the value of 100% forecasted financial deficit for the next 3 years equating to the following £85,587 in 2023/24, £34,116 in 2024/25 and £31,682 in 2025/26. Total support required £151,385

This will ensure the full service as specified in the contract continues.

We have reviewed the 2023-24 projections based on:

- Forecast of utility costs, based on the current cap/discount and current performance year to date
- Current performance year to date and forecasted performance, which could be subject to change for performance and other external factors

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 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

6. The Conclusion:

Without appropriate support and mitigation, the sustainability of the service is at risk. Freedom Leisure requests that Derbyshire Dales District Council Officers & Members consider supporting the continued provision of vital community health and wellbeing services and facilities that Freedom Leisure deliver on behalf of Derbyshire Dales District Council.

As **Cllr Gerald Vernon-Jackson CBE** Chair, LGA Culture, Tourism and Sport Board outlined in a message to Local Authorities colleagues on 5th October at 4.45pm....

'I encourage you to engage in and continue to have conversations with your providers as this is a challenge that no council or provider will be able to address alone, whatever may have been written into contracts.'

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Name	Organisation	Position
Ivan Horsfall-Turner	Freedom Leisure	Chief Executive Officer
Matt Wickham	Freedom Leisure	Chief Operating Officer
Ian Morey	Freedom Leisure	Business Development Director
Jeremy Rowe	Freedom Leisure	Operations Director
Andy Harris	Freedom Leisure	Regional Manager
Alistair Gould	Freedom Leisure	Area Manager