

## Cheltenham Borough Council

### Social & Community Overview Scrutiny Committee:

3 July 2003

### Sport & Leisure Management Contract – Progress Report

#### Report of Assistant Director Health & Wellbeing

#### 1. Summary and recommendation

- 1.1 My report provides an overview of the performance and financial position of the Sport & Leisure Management contract following the handover of the contract from Leisure Connection to the council on 31<sup>st</sup> March 2003.
- 1.2 As reported at the previous O&S Committee (Social and Community), there continues to be considerable disruption to the operation at the Recreation Centre as a consequence of the redevelopment project, affecting both the customer experience of service, and the financial performance. This report provides details of the current financial position of the operation to date, as well as an estimate financial outturn for the year.
- 1.3 **I recommend that the report be noted**

#### 2. Introduction

- 2.1 At the recommendation of the O&S Committee (Social & Community), the cabinet approved the decision to bring the Sport & Leisure Management Contract under the direct control of the council and not to extend the contract with Leisure Connection.
- 2.2 Members may recall that approval was made on the basis of a budget forecast, which had been prepared with notable caution, as a consequence of the limited financial and management information available to the council.

#### 3. Service Standards

- 3.1 With the redevelopment project entering the final building and construction stages, there continues to be ongoing disruption at the Recreation Centre. However, customer comments and satisfaction levels regarding the service standards of the operation continue to be good, and the morale amongst staff positive.
- 3.2 To date, there have been no negative customer comments received, with regard to the standards of service being provided by the council during the past two months. This compares to 31 complaints regarding service failure received for the same two month period last year.
- 3.3 Total attendances for the two months of April/May 2003 were recorded at 42,156. This compares with 90,608 for the same period last year when the pool was open; 42,698 attendances in April/May 2002 were recorded as “wet activities”. The like for like reduction in users is, therefore, 5,754 or approximately 12% over the two month period.

## 4. Financial Performance

- 4.1 Members will recall the budget for 2003/04 was approved to include a contingency sum of £50,000, as a consequence of the inadequate financial and management information available to the council when making the budget forecast.
- 4.2 Following the handover of the contract, a number of new financial and administrative systems have been introduced at the Recreation Centre. As a consequence, the financial management of the operation has taken a while to settle, and there remain several areas where income and expenditure profiles have yet to be fully determined. Areas where this has been a particular issue are highlighted below.
- 4.3 As set out within Appendix 1, the current financial performance of the business after the first two months of operation, shows a budget surplus of £2,400, to that forecast. Significant issues which have had an impact on the financial performance during the period to date are as follows:

### **EXPENDITURE:**

**Salaries and Wages:** The harmonisation process has yet to be completed. As reported at the previous meeting the budget was, however, prepared on the basis that local government terms and conditions of employment would be reinstated throughout the workforce from 1<sup>st</sup> April 2003. As a result there remains a variance to the original budget forecast.

**Building Repairs & Maintenance :** Due to the poor condition of a number of facilities at contract handover, expenditure in this area has been greater than anticipated. These costs form part of ongoing discussions with Leisure Connection.

**Utilities :** Following the transfer of supplier from Leisure Connection, the council has yet to receive invoices in respect of supplies and has therefore accrued to budget forecast.

**Equipment :** Due to the poor condition of some equipment at contract handover, expenditure in this area has been greater than anticipated. These costs form part of ongoing discussions with Leisure Connection.

### **INCOME:**

**Health & Fitness :** Turnover has been lower than budgeted. This is largely due to the transfer of Direct Debit payment arrangements, resulting in the cancellation of “dormant” members who had not used the facilities for some time. In addition, the transfer came at a time when the Health & Fitness facilities were temporarily down-sized and relocated to a less suitable venue within the Recreation Centre, as a consequence of the redevelopment project.

**Contingency:** Because of the factors highlighted above, £40,000 of the original contingency sum of £50,000 has been allocated to those budget heads where either income is lower than projected or expenditure is higher.

- 4.4 After the re-opening of the facilities, it is anticipated that the current position will be improved. Appendix 1 sets out a revised budget outturn forecast for the financial year. At this stage, therefore, I am still predicting that the net cost of the service for the year will remain within original budget forecast, i.e. £1,444,700, but it seems likely that most of the contingency allowance of £50,000 will be needed. In the meantime, controllable costs will continue to be managed closely and a drive to increase usage of the facilities prior to re-opening the wet-side will be initiated.

## 5. Conclusion

- 5.1 Customers continue to respond positively to the transfer of the operation to the council and the quality of service delivery from 1<sup>st</sup> April.
- 5.2 It is still too early to predict accurately the budget forecast for this year, but it is already apparent that the council provision of a £50,000 contingency based on risk assessment was a sensible precautionary measure.

## 6. Implications

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| <b>6.1 Financial</b>  | As set out within the report. The bringing back “ in-house” of a major service does transfer some risks back to the council, as set out in the report approved by Cabinet on 26 <sup>th</sup> November 2002. This will undoubtedly include some financial risk in operating and income targets, especially during the first year until a full year has been undertaken.                                    |
| <b>6.2 Legal</b>  | None as a direct consequence of this report  |
| <b>6.3 Human resources</b>                                      | Outstanding Human Resources issues will need to be resolved as quickly as possible so as to avoid or minimise any potential claims against the Council and to avoid any adverse impact on staff morale. A second meeting is due to take place with the Unions on 1 <sup>st</sup> July, 2003, to communicate the harmonisation process to ensure the Recreation Centre is properly resourced going forward. |
| <b>6.4 Equal opportunities, social justice and anti-poverty</b> | None as a direct consequence of this report  |
| <b>6.5 Environmental</b>  | None as a direct consequence of this report  |

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<b>Background papers</b>	Cabinet report 26 November 2002
	Overview & Scrutiny Committee June/November 2002
	Sport & Leisure Management Contract 1996-2003
	Best value review of sports facilities & development - Baseline position statement
	Sport & leisure management contract - User/non-user survey (Peter Mann Partnership)
	Sport & Leisure Management options appraisal (PMP)

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**Accountability**

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Overview and Scrutiny (Social and Community)

## FINANCIAL PERFORMANCE FOR APRIL &amp; MAY 2003

	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	2003/2004 BUDG ET
<u>Expenditure</u>	£	£	£	£
<b>Employee Expenses</b>				
Salaries & Wages	105,941	102,936	3,005	809,700
Training & Recruitment	360	1,783	(1,423)	18,400
	<b>106,301</b>	<b>104,719</b>	<b>1,582</b>	<b>828,100</b>
<b>Premises Related Expenditure</b>				
Building repairs & maintenance	17,131	14,652	2,479	42,600
Electricity	4,500	4,500	-	40,700
Gas	3,000	3,000	-	37,400
Water	3,200	3,200	-	32,700
Insurance	6,990	7,000	(10)	19,900
Business Rates	121,694	121,700	(6)	160,000
	<b>156,515</b>	<b>154,052</b>	<b>2,463</b>	<b>333,300</b>
<b>Supplies &amp; Services</b>				
Equipment & Maintenance	9,903	19,360	(9,457)	98,400
Agreements				
Cleaning	4,458	4,950	(492)	49,300
Telephones	67	170	(103)	14,800
Purchases – cost of sales	6,912	6,275	637	64,800
Uniforms	14,282	10,000	4,282	10,000
Marketing	5,114	7,000	(1,886)	28,500
I.T.	4,619	4,600	19	19,800
Other Supplies & Services	7,292	1,936	5,356	20,900
	<b>52,647</b>	<b>54,291</b>	<b>(1,644)</b>	<b>306,500</b>
<b>Support Services</b>	<b>18,878</b>	<b>18,878</b>	<b>-</b>	<b>113,300</b>
<b>Asset Rents</b>	<b>127,482</b>	<b>127,482</b>	<b>-</b>	<b>764,900</b>
<b>Contingency</b>	<b>-</b>	<b>1,676</b>	<b>(1,676)</b>	<b>10,000</b>
<b>Total Expenditure</b>	<b>461,823</b>	<b>461,098</b>	<b>725</b>	<b>2,356,100</b>
<b>Income</b>				
Fitness (inc. Weights Room)	12,751	16,481	3,730	274,200
Swimming	-	-	-	155,300
Membership	1,103	1,100	(3)	9,500
Workout	16,514	15,100	(1,414)	92,600
Merchandise	271	240	(31)	6,600
Sports Hall Hire	17,738	16,500	(1,238)	84,400
Stadium Hire	3,096	3,400	304	19,500
Children's Activities	7,492	5,340	(2,152)	35,900
Creche	3,354	2,800	(554)	19,800
Health Suite	2,826	3,050	224	28,800
Squash	898	1,700	802	19,400
Outdoor Activities	3,713	3,100	(613)	26,700
Catering Bar	-	-	-	5,700
Catering Café	14,191	12,400	(1,791)	94,100
Vending	3,853	3,400	(453)	38,900
<b>Total Income</b>	<b>87,800</b>	<b>84,611</b>	<b>(3,189)</b>	<b>911,400</b>
<b>Operating Deficit</b>	<b>374,023</b>	<b>376,487</b>	<b>(2,464)</b>	<b>1,444,700</b>