

Cheltenham Borough Council

Social & Community Overview and Scrutiny Committee:

20th October 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, for the period 1st April – 30th September 2003, six months after the handover from Leisure Connection to the council on 31st March 2003.

1.2 **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 at the end of the contract with Leisure Connection.

2.2 Members of the Overview and Scrutiny Committee have been provided with progress reports with regard to the performance of this service area since the handover. This report looks back over the first six months of operation to provide a more meaningful picture of performance. It provides management information with regard to service standards, utilisation statistics, and, within Appendix 1, gives the current financial position and outturn financial forecast.

3. Service Standards

3.1 During the past six months the redevelopment project of the wetside of the Recreation Centre has been through a particularly disruptive on site. With the partial closure of the car park, the temporary closure of the reception, and relocation of the Health & Fitness Suite, disruption to business on the site has been at its greatest. Despite this, however customer comments and satisfaction levels have been good, and the morale amongst staff positive.

3.2 To date, there have been four negative customer comments received, with regard to the standards of service being provided by the council compliments have been received with regard to the improvements made in the areas of cleanliness, maintenance and repairs, this compares to 56 complaints regarding service failure received for the equivalent six-month period last year.

- 3.3 Two meetings of the Cheltenham Recreation Centre Customer Forum Group have been held since the contract handover (May and September), at which members have been positive and encouraged by the council's performance to date. The Group has also been involved with the selection process to re-name the Recreation Centre.

4. Utilisation statistics

- 4.1 Total attendance figures for the six-month period 1st April – 30th September 2003 were recorded at 129,387. This compares to 205,344 for the same period last year, of which 55,522 were recorded as "wet activities". This represents a downturn of 10%.
- 4.2 The attendance figures for this period were always considered difficult to forecast by officers, in view of the uncertain impact that the partial closure of facilities would have on the customer base. At this stage, officers are confident that where a significant downturn (10%) in attendance has occurred, numbers will increase, once the facilities are fully opened.
- 4.3 Activities where numbers have dropped by this level are in the areas of squash and softland. Additionally, the numbers of general spectators have dropped by this level. However, activities where it was originally forecast that numbers would fall but where the customer base has been sustained are in health, fitness and group exercise classes, children's activities and the crèche. This is extremely encouraging and should provide a solid baseline position for the Centre, for when the facilities re-open fully in November.

5. Financial Performance

- 5.1 Members may recall cabinet approved the decision to bring the services back under the control of the council, having given full consideration to the financial risk in achieving the operating and income targets forecast, especially during the first year. This risk was the underlying principle behind allocating a £50,000 contingency sum within the budget agreed by Council in February 2003
- 5.2 As reported at previous O&S Committees, there has been a need to build this sum into the base budget for 2003/4, to cushion the impact of the variances in operating and income figures to those forecast. Within Appendix A, the current financial position shows a surplus of £2,949 to budget. Similarly, the financial outturn forecast shows the budget on target for the year-end. Areas which have had a significant impact on the current financial performance, and which in turn, will affect the financial outturn forecast, are as follows:

FINANCIAL VARIANCE:

Expenditure:

- Salary and Wages:** The number of employees required for the period, when the wetside was closed, was underestimated. However, further examination of the budget for the remainder of the year indicates that employee costs will be contained within budget.

Human Resources: Despite an additional £7,900 having been built into the base budget for internal HR support, external HR support has been required to support the council in the harmonisation process of terms and conditions of employees, transferred from Leisure Connection. As part of the revenue monitoring report approved by Council in July, a reported underspend of £10k, within the Social and Community Group, was allocated to this budget, in order to fund the appointment of the HR consultants commissioned to carry out this work.

Property maintenance: Due to the necessity to complete a number of repairs and building works, following the handover of the contract, in the first six months of 2003/4, the profile of this budget needs to be revisited at revised budget stage

Cost of Sales: Expenditure in this area has increased due to the need to hold stock. However, members will note there is a corresponding increase in turnover on catering and vending.

Other supplies & services : Expenditure in this area reflects the council's continued facilitation of swimming provision for the Cheltenham & District Sports Association for the Disabled, through the hire of facilities at the Ullenwood Star Centre.

Income: Turnover for the six-month period to date, shows a downturn from that originally forecast. This is due to the negative impact on business of the redevelopment project, as highlighted in para. 3.2, notably the partial closure of the car park, the temporary closure of the reception and the relocation of the health and fitness suite.

6. Harmonisation of Terms and Conditions of Employees

- 6.1. The contract handover resulted in 100 staff transferring from Leisure Connection to the council under TUPE regulations; of these 65 were employees and 35 'casuals as required' workers. An additional 35 employees are in the process of being recruited, in preparation for the re-opening of the wet facilities in November.
- 6.2. One of the major issues facing the council is that of the disparity of employment terms and conditions that exist, both within the transferred workforce, and in comparison, to Cheltenham Borough Council employees. Notwithstanding the council's commitment to single status within the next 12-18 months, the need to harmonise the terms and conditions of employment at the Recreation Centre, in advance of single status was deemed necessary for both operational and legal reasons.
- 6.3 As reported in previous O&S Committees, steady progress has been made during the past six months to resolve this issue, through consultation and negotiation with the staff, and unions at regional and local level.

- 6.4 As a result, a package of employment terms and conditions was offered to employees, on September 22nd, for their consideration, in a joint presentation by the council and GMB, the recognised union. GMB balloted union members during the period 6th – 14th October. Results of the ballot were not known at the time of distribution of this report; however, the results will be reported at Committee.
- 6.5 Once the proposals have been accepted, the payments etc. to ‘casuals as required’ will subsequently be reviewed.

7. Pricing Policy

- 7.1 It has become evident over the past six months that the basis on which prices and fees are charged for activities and facilities within the service needs to be reviewed against current criteria such as market testing and business planning, with specific reference to the council’s newly agreed business plan. There are clear examples of disparity within the charges, which need to be addressed.
- 7.2 It is the intention of officers to review the current pricing structure as part of the budget-setting process, and to introduce a policy and pricing structure which will be equitable, flexible and reflects the council’s business priorities. Equally important, it will also take into account the alternative sport and leisure provision in Cheltenham, with which the Recreation Centre will need to compete, if it is to be financially successful.

8. Conclusion

- 8.1 Indications show that the customers and staff have responded positively to the decision to bring the service back under the direct control of the council and that service standards have improved.
- 8.2 However, the redevelopment project has had a significant impact on business, with the current and financial outturn position forecasting the need to retain the £50,000 contingency sum allowed for within the budget for 2003/4, due to the downturn of income forecast.

9. Implications

- 9.1 Financial** 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 26th November 2002. This undoubtedly includes some financial risk in operating and income targets, especially during the first year until a full actual year has been undertaken. This was the underlying principle behind allocating a £50,000 contingency sum within the budget agreed by Council in February 2003.
- 9.2 Legal** None as a direct consequence of this report
- 9.3 Human resources** The Human Resources issues will need to be resolved as quickly as possible so as to avoid or minimise any potential claims against the Council as Employer.

9.4 Equal opportunities, social justice and anti-poverty	None as a direct consequence of this report
9.5 Environmental	None as a direct consequence of this report
Background papers	<p>Cabinet report 26 November 2002</p> <p>Overview & Scrutiny Committee June 2002 – September 2003</p> <p>Sport & Leisure Management Contract 1996-2003</p> <p>Best value review of sports facilities & development - Baseline position statement</p> <p>Sport & leisure management contract - User/non-user survey (Peter Mann Partnership)</p> <p>Sport & Leisure Management options appraisal (PMP)</p>
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APPENDIX 1

FINANCIAL PERFORMANCE FOR PERIOD APRIL TO SEPTEMBER 2003

	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	2003/2004 BUDGET
<u>Expenditure</u>	£	£	£	ET
Employee Expenses				
Salaries & Wages	334,870	314,423	(20,447)	809,700
Training & Recruitment	10,617	10,698	81	18,400
	345,487	325,121	(20,366)	828,100
Premises Related Expenditure				
Building repairs & maintenance	39,127	25,656	(13,471)	42,600
Electricity	13,000	15,500	2,500	40,700
Gas	13,400	13,400	-	37,400
Water	8,000	14,100	6,100	32,700
Insurance	17,259	18,500	1,241	19,900
Cleaning	14,658	16,650	1,992	49,300
Business Rates	87,701	100,000	12,299	160,000
	193,145	203,806	10,661	382,600
Supplies & Services				
Equipment & Maintenance	29,648	44,190	14,542	98,400
Agreements				
Telephones	6,500	7,444	944	14,800
Purchases – cost of sales	30,374	18,955	(11,419)	64,800
Uniforms	8,625	10,000	1,375	10,000
Marketing	10,102	13,000	2,898	28,500
I.T.	4,619	10,680	6,061	19,800
Other Supplies & Services	47,331	36,098	(11,233)	40,900
	137,199	140,367	3,168	277,200
Support Services	56,640	56,640	-	113,300
Asset Rents	382,448	382,448	-	764,900
Total Expenditure	1,114,919	1,108,382	(6,537)	2,366,100
Income				
Fitness (inc. Weights Room)	86,767	92,270	(5,503)	274,200
Swimming	-	-	-	155,300
Membership	2,928	2,700	228	9,500
Workout	43,997	40,100	3,897	92,600
Merchandise	986	560	426	6,600
Sports Hall Hire	40,068	38,520	1,548	84,400
Stadium Hire	9,650	11,000	(1,350)	19,500
Children's Activities	17,113	12,950	4,163	35,900
Creche	10,695	8,850	1,845	19,800
Health Suite	5,496	7,750	(2,254)	28,800
Squash	6,417	8,200	(1,783)	19,400
Outdoor Activities	10,547	11,720	(1,173)	26,700
Catering Bar	-	500	(500)	5,700
Catering Café	49,880	42,600	7,280	94,100
Vending	13,262	10,600	2,662	38,900
Total Income	297,806	288,320	9,486	911,400
Operating Deficit	817,113	820,062	(2,949)	1,454,700