

Cheltenham Borough Council**Social & Community Overview and Scrutiny Committee:****23rd February 2004****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 – 31st December 2003, nine months after the handover from Leisure Connection to the council on 31st March 2003.
- 1.2 Despite the successful re-opening of the Centre in November, from the first three months of full operational trading it has become clear that its position within the Health & Fitness market has been affected throughout the Redevelopment Project. An innovative and diverse marketing strategy will be required to heighten awareness of the new facilities in a progressively competitive environment, in order to recover and retain its share of the market. This strategy will be a high priority for the senior management team within the Centre.
- 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 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. As with previous reports, it provides performance and management information with regard to service standards, utilisation statistics, and, within Appendix 1, gives the current financial position and revised outturn financial forecast.

3. Service Standards

- 3.1 During the past nine months the redevelopment project of the Cheltenham Recreation Centre reached a critical stage, followed by contract completion in November. 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, was at its greatest. Prior to the re-opening, and highly successful launch of leisure@cheltenham, customer comments and satisfaction levels had been good, with four negative customer comments received, with regard to the standards of service being provided by the council during the period 1st April – 30th September.
- 3.2 With the new facilities now open, and the centre fully operational, satisfaction levels remain high. During the period since the re-opening, 125 comments have been received; of these 8 are complaints in respect of service failure with the remainder comments/observations and suggestions in respect of the new facilities.

- 3.3 The number of comments received in this period was particularly high, due to the opportunity created at the re-opening of the facilities for visitors to express their views regarding the new centre. 68 comments were received on the day, following which numbers have steadied.
- 3.4 Areas where service failures have been reported have been as follows:
- 3 x speed of service through reception
 - 2 x inaccurate information on website
 - 2 x cleanliness
 - 1 x quality of catering

4. Utilisation statistics

- 4.1 Total attendance figures for the six-month period 1st April – 31st December 2003 were recorded at 212, 680. This compares to 289,938 for the same period in 2002, of which 55,522 were recorded as “wet activities”, as compared to 15, 470. This represents a downturn of 10% on “dryside “activities. To compare the wet side downturn figures in % terms would create a misleading picture, with figures being disproportionate, due to the following factors:
- The 2002 figures include wet side activities for a 12 week period, as compared to that of a 6 week period in 2003
 - Despite 34 schools returning to the Centre for their educational swim programmes in January 2004, the 2002 figures include the winter term educational swim figures, which had not re-commenced in December 2003
 - Similarly, the 2002 figures include a term of swim school attendees, which had not recommenced in December 2003.
- 4.2 Activities where numbers have dropped in excess of 10% level are in the areas of squash and softland. Additionally, the numbers of general spectators have dropped by this level.

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, this sum has been built into the base budget for 2003/4, as a consequence of the variance of operating and income figures to those forecast. Although the year to date budget to 31st December 2003, contained within Appendix 1, shows a deficit of £9,672 to the budget, members are advised that this includes a stock value of £8,000, held at that time, reducing the deficit for the period to £1,962. The revised outturn forecast shows the year-end budget to be on target, with a marginal surplus of £1,003 to that forecast.
- 5.3 Fluctuations within income levels for particular activities have contributed to turnover failing to achieve the revised targets forecast; however, these shortfalls have been offset, by controlled expenditure within particular areas.

- 5.4 With strong local competition for business and the public demonstrating, at this early stage, that they are yet to commit to long term expenditure (through annual membership purchases), officers anticipate constant and continued expenditure reviews as part of financial performance management.
- 5.5 Areas which have had an 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:** As reported in October, the number of employees required for the period, when the wetside was closed, was underestimated. With the harmonisation of the workforce completed in November, further examination of the budget for the remainder of the year indicates that employee costs will be £20,343 above the budget figure.
- 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 throughout the Redevelopment Project, with the hire of facilities at the Ullenwood Star Centre. In addition, there was a need to hire additional security during the temporary relocation of the reception.
- Premises:** Controlled expenditure within this area has resulted in a forecast underspend of £43,934, at the year end. This will be used to offset the income target, which it is anticipated will fail to meet the levels forecast within the revised budget

Income

- Health & Fitness** Despite the success of the open day in November, at this stage membership numbers for the new Health & Fitness facilities, are lower than the revised forecast. Competitors to the centre have significantly reduced prices, as a means of retaining their customer base, which, although anticipated, has had a greater impact than envisaged.
- Swim School** With the pools re-opening part way through the school term, the income in this area has failed to meet the levels forecast for the period, which has had a negative effect on outturn, against that forecast.
- Swim membership** Similar to the memberships for Health & Fitness, despite the number of visitors to the centre on the open day, the income for swim membership has not achieved the level forecast. Casual swimming figures have exceeded the budget target.

- 5.5. In addition to the introduction of expenditure controls within particular areas, a number of income generating initiatives were introduced in the New Year to address the deficit. January is notoriously the month where the Health & Fitness business peaks. At the time of compiling this report, indications show that income levels for January have achieved the targets forecast, however, with the income fluctuations evident, the outturn remains as that forecast.

6. Conclusion

- 6.1 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.
- 6.2 With the facilities fully operative from November, the centre is in a position to seriously compete in the health and fitness market, however, early indications demonstrate that this will be a challenge.
- 6.3 The Best Value Review in respect of this service area is scheduled to re-commence at the end of February. Notwithstanding the improvements within this service area since the decision to bring the contract back under the direct control of the council, the review will fully assess the council's position in the provision of this service area, with the review team presenting it's interim report to this Committee in the summer.

7. Implications

- 7.1 Financial** The bringing back "in-house" of a major service transferred 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.
- 7.2 Legal** None as a direct consequence of this report
- 7.3 Human resources** None as a direct consequence of this report.
- 7.4 Equal opportunities, social justice and anti-poverty** None as a direct consequence of this report
- 7.5 Environmental** None as a direct consequence of this report

Background papers

Cabinet report 26 November 2002

Overview & Scrutiny Committee June 2002 – October 2003

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)

Contact officer

Sonia Phillips : Assistant Director Tel: 01242 262626
e-mail: soniap@cheltenham.gov.uk

Accountability

Rowena Hay Deputy for the Economy and Health & Wellbeing

Overview and Scrutiny (Social and Community)

Appendix 1

| | YTD | YTD | YTD | 2003/04 | 2003/04 | 2003/04 |
|--|------------------|-----------------|----------------|---------------------|-----------------|----------------|
| | Actual | Budget | Variance | Forecast Outturn | Budget | Varianc e |
| Expenditure | | | | | | |
| Employee Expenses | 575,431 | 555,299 | -20,132 | 838,443 | 818,100 | -20,343 |
| Premises | 250,197 | 264,700 | 14,503 | 370,666 | 414,600 | 43,934 |
| Transport | 3,183 | 3,900 | 717 | 4,500 | 7,500 | 3,000 |
| Supplies & Services | 224,566 | 212,190 | -12,376 | 316,805 | 305,600 | -11,205 |
| Third Party Payments (ICT) | 5,737 | 10,800 | 5,063 | 8,128 | 15,000 | 6,872 |
| Support Services | 131,250 | 131,250 | 0 | 175,000 | 175,000 | 0 |
| Asset Rents | 411,750 | 411,750 | 0 | 549,000 | 549,000 | 0 |
| | | 1,589,88 | | 2,262,54 | 2,284,80 | |
| Total Expenditure | 1,602,114 | 9 | -12,225 | 2 | 0 | 22,258 |
| Income | | | | | | |
| Rec Facilities-Fitness (inc. DDs)' | -138,010 | -152,205 | -14,195 | -223,435 | -254,300 | -30,865 |
| Rec Facilities-Fitness Joining Fees | -5,641 | -5,800 | -1,021 | -8,779 | -9,800 | -1,021 |
| Rec Facilities-Casual Fitness Fees | -7,823 | -7,900 | -77 | -11,235 | -12,500 | -1,265 |
| Rec Facilities-Fitness Inductions | -354 | -50 | 304 | -704 | -200 | 504 |
| Rec Facilities-Workout Classes | -68,685 | -67,000 | 1,685 | -102,785 | -100,000 | 2,785 |
| Rec Facilities-Merchandise | -7,765 | -2,600 | 5,165 | -12,575 | -6,600 | 5,975 |
| Rec Facilities-Casual Swimming | -23,641 | -17,500 | 6,141 | -93,438 | -77,500 | 15,938 |
| Rec Facilities-Pool Hire | -1,480 | -3,100 | -1,620 | -18,080 | -14,100 | 3,980 |
| Rec Facilities-Swim Membership | -944 | -5,100 | -4,156 | -1,357 | -14,500 | -13,143 |
| Rec Facilities-Health Suite | -7,626 | -7,000 | 626 | -10,289 | -8,000 | 2,289 |
| Rec Facilities-Swim Coaching | -18,135 | -24,800 | -6,665 | -36,072 | -49,200 | -13,128 |
| Rec Facilities-Childrens Activities' | -26,499 | -24,200 | 2,299 | -41,699 | -37,000 | 4,699 |
| Rec Facilities-Creche | -15,687 | -15,100 | 587 | -21,687 | -24,500 | -2,813 |
| Rec Facilities-Membership | -6,305 | -5,600 | 705 | -10,005 | -9,000 | 1,005 |
| Rec Facilities-Sports Hall Hire | -57,798 | -57,000 | 798 | -80,989 | -82,000 | -1,011 |
| Rec Facilities-Meeting Room Hire | -7,043 | 0 | 7,043 | -16,078 | -11,000 | 5,078 |
| Rec Facilities-Squash | -10,729 | -13,000 | -2,271 | -16,429 | -18,500 | -2,071 |
| Rec Facilities-Stadium Hire | -12,038 | -13,000 | -962 | -17,032 | -19,500 | -2,468 |
| Rec Facilities-Pitch Hire | -2,187 | -1,500 | 687 | -18,486 | -14,800 | 3,686 |
| Rec Facilities-Pavilion Hire | -4,391 | -3,600 | 791 | -5,991 | -5,500 | 491 |
| Rec Facilities-Other Outdoor Activities | -6,049 | -8,500 | -2,451 | -6,056 | -8,500 | -2,444 |
| Rec Facilities-Catering | -54,181 | -52,000 | 2,181 | -89,647 | -90,000 | -353 |
| Rec Facilities-Vending | -29,028 | -23,000 | 6,028 | -43,530 | -40,000 | 3,530 |
| Rec Facilities-Bar | 15 | 0 | -15 | 15 | -700 | -715 |
| Rec Facilities-Central Cross | -19,183 | -19,100 | 83 | -19,382 | -19,300 | 82 |
| Total Income | -531,208 | -528,655 | 2,553 | -905,745 | -927,000 | -21,255 |
| | | 1,061,23 | | 1,356,79 | 1,357,80 | |
| Operating Deficit | 1,070,906 | 4 | -9,672 | 7 | 0 | 1,003 |