

Cheltenham Borough Council

Social & Community Overview and Scrutiny Committee:

18th October 2004

Leisure@Cheltenham Interim 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 Leisure @Cheltenham for the period 1st April – 31st August 2004, five months into the current financial year.

1.2 I recommend that the report be noted

2. Introduction

2.1 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 of the Sport & Leisure Management Contract from Leisure Connection to the council in April 2003. As with previous reports, it provides performance and management information with regard to service standards, utilisation statistics, and, within Appendix 1, the year to date financial position in respect of the business.

3. Service Standards

3.1 During the five month period 1st April- 31st August 2004, 185 customer comments were received through the Centres customer feedback systems, of which 47 were complaints regarding service standards, predominantly in areas of building maintenance and cleaning.

3.2 The figure represents a sharp decline in the quality of service being provided which is of major concern and which is being addressed on the site involving staff and management.

4. Utilisation statistics

4.1 Attendances for the period were recorded at 230,955. This figure indicates a steady growth in attendances compared to the previous five month period, which recorded a figure of 212,878. This figure is particularly encouraging, as it indicates that the customer base has continued to grow following the re-opening of the facilities in November 2003.

4.2 Wetside activities continue to show a steady growth, particularly in the areas of swimming lessons and casual swimming, with attendances recorded at 98,321 compared to 85,364 for the previous five month period. This figure also compares well to the wetside attendance figures for the five month period prior to closure where attendances figures for the 5 month period January – May 2002 were recorded at 92,536. With the re-opening of the health spa, this trend is likely to continue.

- 4.3 With the European football championships and the Olympic games being held during the summer, attendance figures for these dryside activities during the period indicate that the Centre benefited from both of these international sporting events. Comparisons to the previous summer's attendance statistics indicate a significant increase in attendances recorded in badminton, group exercise classes and indoor 5-a-side football.

5. Financial Performance

- 5.1 Despite the encouraging utilisation figures, the financial position regarding the business is less positive. Within Appendix 1 the year to date financial position shows a deficit of £47,139 against the budget.
- 5.2 The deficit has resulted almost entirely from the failure to achieve income targets for the period, with a year-to-date shortfall of £47,901 for the 5 month period 1st April – 31st August. The main contributor to this deficit lies fully within the area of health and fitness, where the year-to-date income is £154,711 against a budget target of £203,000
- 5.3 Health and fitness targets were set on the basis that the membership base would reach and sustain 1500 by April 2004. Despite a steady growth in memberships since the new health and fitness facilities opened in November this forecast has failed to be achieved, with a membership currently standing at 1100 members. The consequential financial implications are reflected within the income shortfall reported. If this trend continues for the remainder of the financial year, there will be a shortfall of £115,000 in respect of income. Officers are doing everything to increase the membership customer base.
- 5.4 Members may recall as a result of the 2004/5 budget setting process the decision was made to increase the income target of this service by an additional £110k. This decision was considered to be high risk, due to the number of local private sector competitors and the aggressive pricing policies that they would adopt; these fears have proved to be well founded.
- 5.5 Officers were not blind to the strength of the local private sector health and fitness market. However, as stated within the O&S report of February 2004, competitors have significantly reduced prices as a means of retaining their customer base, which although anticipated, has had a greater impact on business than envisaged. Officers are continuing to take active steps to address this issue.
- 5.6 In the past, fluctuations within income levels have been able to be offset by reductions in expenditure. Members may however recall that as a result of the 2004/5 budget setting process the operating budget of this service was reduced by £15k. It has therefore not been possible to offset the shortfall in turnover with further reductions in expenditure, as this would have resulted in facility closures and service failure.

6. Conclusion

- 6.1 Notwithstanding the concerns with regard to the financial performance, members are reminded that the net cost of the service for 2004/5 is £236k less than it would have been if the council had remained in contract with a private sector company. Taking into account a potential outturn income deficit of £115k in respect of income this still provides a saving to the council of £121k.

7. Implications

7.1 Financial	As set out within the report
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 – July 2004 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	Rowena Hay Deputy for the Economy and Health & Wellbeing Overview and Scrutiny (Social and Community)

Financial Performance to 31st August 2004

	Actual	2004/05 Budget	Variance
Employee Costs	470,782	466,225	(4,557)
Premises Costs	316,805	318,850	2,045
Transport Related Costs	951	925	(26)
Supplies & Services	167,083	168,870	1,787
Third Party Payments	487	2,000	1,513
Support Services	69,800	69,800	0
Asset Rents	222,200	222,200	0
Total Expenditure	1,248,108	1,248,870	762
Total Income	(599,249)	(647,150)	(47,901)
Net Expenditure	648,859	601,720	(47,139)