

LEISURE CENTRES' INCOME & EXPENDITURE  
Report by General Manager, One Leisure

1. Background

The last all-centres quarterly income and expenditure performance report to O&S (to end December 2009 – month 9) noted:

	Actual (£k)	Target (£k)	%
<b>Income</b>	3,542	3,722	95%
<b>Expenditure</b>	4.401	4.671	94%

Consequently, members have requested further information on the financial performance of the Leisure Centres. This report provides a fuller account of the Centre's financial performance.

2. Actual Results for 10 months to end of January 2010

£000	Actual	Budget	Last year
<b>Income</b>	4,256	4,377	4,140
<b>Expenditure</b>	5,284	5,424	5,230
<b>Net Controllable</b>	<b>1,028</b>	<b>1,047</b>	<b>1,090</b>

3. Forecast Result for full year

£000	Forecast	Budget	Last year
<b>Income</b>	5,453	5,583	5,282
<b>Expenditure</b>	6,648	6,606	6,387
<b>Net Controllable</b>	<b>1,195</b>	<b>1,023</b>	<b>1,085</b>
<b>Overheads</b>	983	1,452	1,150
<b>Capital costs</b>	826	988	804
<b>Total Net cost</b>	<b>3,004</b>	<b>3,463</b>	<b>3,039</b>

As can be seen, a forecast improvement on previous year actual despite a probable failure to achieve budget income target. Members will note a £469k saving in Overheads. Most of the expected reduction in overheads is due to the change in the pensions adjustment that is required to be made under international financial reporting standards. Now that pension contribution rates have increased, the pensions adjustment for the Centres has changed from a budgeted charge of £193k to an anticipated charge of -£160k, a reduction of £353k.

#### 4. Individual Centre performance

	Hunt	Ram	Saw	SI	SN	Gen	Total
<b>Income</b>	1,278	505	484	2,132	1,054	0	5,453
<b>Expenditure</b>	1,435	726	749	2,228	1,425	85	6,648
<b>Net Controllable</b>	<b>157</b>	<b>221</b>	<b>265</b>	<b>96</b>	<b>371</b>	<b>85</b>	<b>1,195</b>
<b>Overheads</b>	215	132	137	287	204	8	983
<b>Capital costs</b>	195	96	115	278	142	0	826
<b>Total Net Cost</b>	<b>567</b>	<b>449</b>	<b>517</b>	<b>661</b>	<b>717</b>	<b>93</b>	<b>3,004</b>

#### 5. Current Income

5.1 A number of factors have affected the performance over the year.

- This is the first full year of operation at One Leisure Huntingdon following the major development during 2008/09.

<b>Income (£k)</b>	<b>2008/09</b>	<b>2009/10 (estimated)</b>
Centre	621	829 (+33%)
Impressions	394	449 (+14%)
<b>Total</b>	<b>1,015</b>	<b>1,278 (+26%)</b>
<b>Admissions</b>	<b>293,714</b>	<b>332,022 (+13%)</b>

Against this, a predicted increase in expenditure associated with the redevelopment, particularly in staffing, has not materialized as the centre has made strenuous efforts to improve efficiency. As a result, expenditure prediction is £100k below budget and over £20k below the previous year.

<b>Expenditure (£k)</b>	<b>2008/09</b>	<b>2009/10 (estimated)</b>
Centre	1,270	1,272
Impressions	172	163 (-9%)
<b>Total</b>	<b>1,442</b>	<b>1,435</b>

- Hospitality income across the sites, however, is down from **£636k** budget to **£549k** estimated outturn, a decrease of **£87k**. This figure reflects a general downturn in the market nationality as the customer's propensity to spend on secondary products becomes reduced. Less club members stay behind after matches and training, those that do spend less over the counter and individual visits to the catering and bar outlets have reduced. Whilst the situation is not wholly welcomed it is symptomatic of a general credit squeeze across the globe and we are not alone in reporting falling sales. However, this has allowed us to re-examine our outlets and look more closely at our customers. As a result, St Neots LC redevelopment will move more towards a café, coffee-house environment with less emphasis on draught beer and lager. Bottled beer will be sold on site, eliminating the

need for large cellars. The situation at St Ivo Leisure Centre, which has 3 bars in total, is currently under review but significant change is anticipated.

- Synthetic and grass pitches will not achieve income target of **£273k**. Anticipated estimate is **£222k**. This area has been particularly affected by the cold spell across our busiest times and many pitches were unplayable for long periods as a result of the frost. There is no remedy for this – salting is ineffective and under-floor heating and covers are cost prohibitive. Some matches will be re-scheduled but general training and social sessions are permanent losses.
- School income in previous years has been paid by the County Council on behalf of all secondary and primary school use. Essentially a lump sum was given over to HDC each year for “agreed” use of facilities. In practice, there were flaws. Schools often did not use facilities that were booked resulting in empty pools and sports halls which the public could have occupied. Because there was no onus on the school to cancel in advance this created a number of awkward situations for centre management which the new arrangement has attempted to resolve. From September 2009, County Council devolved funding directly to the secondary and primary schools and the schools booked out facilities based around the financial allocation they were given. A pricing schedule for each area of each facility was devised which, assuming similar usage patterns, would result in a similar sum being received each year. Since September, schools have been invoiced directly on a monthly basis. However, some secondary schools have not booked the same quantity of facilities and there is concern that the income received will be less than previous. The differing school years compared to HDC financial years makes the issue somewhat more complicated – County paid a lump sum for the April to July period, and from then on the schools pay themselves – and negotiations are continuing to effect a solution to the problem. The situation at present indicates that income will be around £80k less than last year although some of this has been recouped by additional pool and hall hours for paying public at all sites.

## **2. Future Developments**

- 2.1 The single biggest success story this year has been One Leisure Huntingdon with its 26% income growth and 13% rise in admissions. Additionally, recovery rate here has risen by nearly 15% to 87% (income as a percentage of expenditure). The loss of two badminton courts has not been felt, admissions to the Fun Zone will exceed 20,000 in the year, over 3,000 additional customers have taken out membership, fitness visits of 8,237 recorded in January were the highest any centre in HDC has ever achieved, the spa facility, Pure, attracts 80% more visitors than ever before and total controllable costs have risen by just 2% year to date.

- 2.2 The total investment in One Leisure Huntingdon which included additional car parking, new reception, and new changing facilities along with the additional and improved activity areas totaled around **£1.5m**. The expansion and redevelopment at One Leisure St Neots will cost slightly less than double that amount (**£2.9m**). Our business plan for the centre includes over 100-station gym, innovative soft play centre, additional dance/aerobic studio, dedicated crèche, spa and therapy centre offering a wide variety of treatments, external changing rooms and new indoor changing facilities. Slightly less ambitious income targets have been set for the centre than was the case at Huntingdon but confidence is high that the facility will become a magnet for local and more far flung customers. Phase one, soft play and café will open in April with phase two due for completion in September
- 2.3 Further plans are in development for One Leisure St Ives with a bid to the Football Foundation for around £750k set to launch a major expansion at the Outdoor Centre including an additional synthetic, football only, floodlit pitch. The Indoor Centre plans will include expansion of Impressions, new reception and better use of the huge area available but are not yet ready for round table debate. St Ivo is the nearest centre to achieving break-even on controllable costs (currently 91%) and our aim is to take this over 100% at the earliest opportunity.

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