OVERVIEW & SCRUTINY (ECONOMIC WELL-BEING) **14TH OCTOBER 2010**

ONE LEISURE FINANCIAL PERFORMANCE 2009/10
(Report by General Manager, One Leisure)

1. BACKGROUND

1.1 A quarterly report on the Leisure Centres in June 2010 was presented to Overview and Scrutiny and further information regarding the overall performance of One Leisure in 2009/10 was subsequently requested.

2. PERFORMANCE 2009/10

2.1 The table below shows the actual financial performance of the leisure centres over the last few years and the latest forecast for our progress this year. During 2007/08 the Council adopted a target to save £1m pa from the MTP forecast for the cost of running the leisure centres by 2010/11. This set a new target for 2010/11 of £2,985,000. We now expect to exceed this target by £200,000.

£k				**Actual**	**Forecast**
Income	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Centre	2818	2863	3058	3069	3273
Impressions	1508	1598	1655	1731	1818
Schools	604	541	569	467	500
Total	**4930**	**5002**	**5282**	**5267**	**5591**
Expenditure	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Staff	3649	3862	4098	4203	4329
Other	2023	1901	2039	1849	1774
Total	**5672**	**5763**	**6137**	**6052**	**6103**
Net	**742**	**761**	**855**	**785**	**512**
Other	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
NNDR	293	293	314	346	345
M&A	1075	1049	989	937	1000
Capital	1042	788	868	838	899
Total Net	**3152**	**2891**	**3026**	**2906**	**2756**

2.2 The centre's net position of £785k in 2009/10 is an 8.2% improvement on previous year (08/09) performance. Once all costs are included – M&A, Capital, NNDR – there is an improvement of 4% on the previous year.

Illustrative figures for earlier years are shown. Over the 6 years shown (2005-11) income grows by 28% (Impressions by 40%) and costs increase by 22% (staff by 30%, other costs by 7%). Over the same period revaluation of properties has driven NNDR up by 80%.

2.3 The forecast outturn for 2010/11 shows a reduction of centre net spend (by 35%) to £512k. This figure anticipates an increase of £33k on school income (Income in summer term, the first of three terms, is on target to meet that figure). Net total, including M&A, NNDR and capital, also decreases, by 5%. This anticipates a rise in M&A costs of 6% but it is possible that these could reduce in line with the trends of previous years.

3. INCOME

3.1 Impressions income, on the back of the completed development at One Leisure, Huntingdon, showed an £86k increase, a commendable performance in the current climate. Elsewhere centre growth was less evident:

	2008/09	**2009/10**	**+/-**
Impressions	1655	1731	+5%
Swims	528	501	-5%
Swim Lessons	605	668	+10%
Swims Combined	1133	1169	+3%
Hospitality	577	512	-11%
Vending	116	113	-3%
Functions	209	230	+10%
Soft Play	-	68	-
Spa	-	30	-
Indoor Sport	818	744	-9%
Synthetic/Grass	203	201	-1%

3.2 The new Soft Play and Spa facilities, also at Huntingdon, brought in a new income of £98k and these types of in-house areas are currently being replicated at St Neots.

3.3 Swimming (general and public) decreased by 5% but much of this was due to reallocation of time available in the pools to swimming lessons (up 10%) resulting in an overall swimming increase of 3%.

3.4 Functions income at St Ives increased by 10% with a proliferation of conferences and seminars playing a large part.

3.5 Indoor Sports showed a 9% decrease primarily down to reduced demand for holiday activities and this is an area under close observation.

3.6 The decrease in hospitality income, (bars and catering) is referred to in another report but the net cost of the hospitality service registered a small profit (£12K) for the first time.

3.7 Impressions grew by 5% with over 5,000 users now possessing one form of the many pre-paid memberships on offer.

3.8 The revised arrangements with County funding of secondary and primary school sport, notably swimming, has presented problems with a shortfall of £102k on previous year.

Target schools income has been reduced for 2010/11 accordingly.

4. EXPENDITURE

4.1 Strenuous efforts to reduce costs across the board are being made.

	2008/09 £k	2009/10 £k	+/-
Staffing	4098	4203	+5.2%
Premises	898	768	-15%
Operations & Supplies	1139	1080	-5%

4.2 Revision of contracts, reduction in opening hours, better procurement, centralisation of systems, reduction in duplication have all had a significant effect on expenditure. A policy of not automatically filling a vacancy at all levels has been introduced, and generally, even when eventually filled, vacancies have been left open for as long as possible .

4.3 Staff structure is permanently under review. The creation of corporate roles for key individuals has already contributed to the trimming of much unnecessary duplication as systems and procedures become more streamlined across the sites. This, in turn, assists staff when moving from site to site in the knowledge that the vast majority of the operation and procedures will be similar if not identical.

5. PERFORMANCE MONITORING

5.1 Centre and Group performance is analysed fully on a monthly basis by the Centre Managers, General Manager and Finance Team. This is supplemented by a monthly One Leisure Strategy meeting and, for each manager, a quarterly formal meeting with the Director, General Manager, Finance Officer and Executive Councillor. Here performance of the Centre is reviewed and directed.

On a monthly basis, the following key indicators are monitored:

Income
Expenditure
Customer Satisfaction
Hospitality and Vending Profit
Live Card Holders
Live 60+ Card Holders
Live 13 – 17 Card Holders
Income Per Visitor
Expenditure Per Visitor
Recovery Rate
Impressions Profit
Impressions Pre-Paid Membership
Admissions

5.2 On a 6 monthly basis, reports are made available to the Active Leisure Forum (ALF) comprising a forum of members representing each leisure site, school representatives and delegates from partner organisations. Each centre has an advocate, generally the ex-Management

Committee Chairman, who has an opportunity on a broader forum, to raise comments or concerns about their own centre.

6. STAFF BREAKDOWN

6.1 One Leisure currently employs 78 full time staff across all sites with 75 permanent part-time posts and 8 full time temporary contracts. The majority of staff numbers are on variable/casual hours with around 125,000 hours being worked per annum. The total number of casual staff varies seasonally but peaks at a maximum of about 400. The total number of casual hours worked equates to approximately 74 full time equivalents (FTE).The full and part time posts work approximately 290,000 hours per annum (approximately 150 FTE).

6.2 The total staffing of One Leisure, therefore, can be expressed as 225 FTE. By centres this equates to:

St Ives	69
St Neots	51
Huntingdon	50
Sawtry	28
Ramsey	27
Total	**225**

7. THE WAY FORWARD

7.1 Reduction in the net deficit is being tackled on all fronts – raising income following investment in facilities, a comprehensive pricing review and excellent marketing - but reduction in costs is equally important – decreasing opening hours, eradication of waste and duplication by further centralisation, and a two-pronged campaign to reduce both the number of staff (FTE) and impose ceilings on earnings at all grades. A target reduction of between 5-10% FTE in two years is considered possible.

8. RETURN ON INVESTMENT – additional information

8.1 The largest recent investment to improve a facility was made at Huntingdon during 2008/09 with substantial completion during April 2009. The scheme, total value £1.5m, was built on the premise of a revenue surplus to HDC with a projected £142k additional income in year one and an annual admissions increase of 45,000.

8.2 Income duly rose to £1.133 m (excluding schools) from £1.013m the previous year. In the newly created areas, Impressions income rose by £62k, new income for the Fun Zone totalled £68k and the Pure Spa realised £30k. Hospitality income increased by £11k. Admissions increased by 51,000 from 364,000 to 415,000. Elsewhere in the centre evidence of economic climate was present with lower income from swimming and other indoor sports.

8.3 Schools income was also affected in 2009/10 with a reduction in income contribution following the devolvement of budgets direct to the secondary schools. Huntingdon received £98k in 2008/09 but only £63k in 2010/11

8.4 The net outturn for the centre, however, shows the improvement made to date

	Net
2008/09	£384k
2009/10	£292k
2010/11 forecast	£250k

8.5 In summary, the target of £142k additional income was not reached. The new developments actually over-achieved, however, in raising £171k additional income but a decrease in school and swimming revenue reduced the total to £120k. A decrease in expenditure of £42k from the previous year (reductions of £36k on premises, £11k on operations and a 1.1% increase on salaries (from £776k to £785k) meant that net position continued to improve –as shown above. The forecast net spend for 2010/11 will continue this trend.

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