

**ONE LEISURE FINANCE
(Report of the Overview and Scrutiny Panels
(Social Well-Being) and (Economic Well-Being))**

1. INTRODUCTION

- 1.1 At its meeting held on 13th January 2011, the Overview and Scrutiny Panel (Economic Well-Being) decided to establish a Working Group to review the financial performance of One Leisure and make recommendations on the services' future strategic direction.
- 1.2 Initially Councillors J D Ablewhite, S Greenall and N J Guyatt and Mr R Hall were appointed to the Working Group. Following the appointment of Councillor Ablewhite as Executive Leader, designate, Councillor D M Tysoe attended the second meeting and appointed as *rapporteur*.
- 1.3 In recognition that the performance of One Leisure is also a matter of interest to the Overview and Scrutiny Panel (Social Well-Being), representatives of the latter have also been invited to join the Group. Councillors B S Chapman, JJ Dutton and Mr R Coxhead were subsequently appointed. To date, the Working Group has met on two occasions.
- 1.4 The purpose of this report is to provide an update on progress of the study and to present the Working Group's initial findings.

2. BACKGROUND

- 2.1 At their meetings in January 2011, the Overview and Scrutiny Panels for Social and Economic Well-Being considered a variety of information with regard to the financial performance of the Council's Leisure Centres. This included details of central support charges, recent investment, net outturn in recent years, the projected outturn for 2014/15 and income generated from admissions. An analysis of activities on a centre by centre basis was also provided, together with details of a number of issues relating to the operation of the five centres which would need to be tackled in the forthcoming months.
- 2.2 Having regard to the extent of the information provided and Members' interest in giving further detailed consideration to the figures presented the Economic Well-Being Panel agreed that a Working Group should be established, with representatives of the Social Well-Being Panel, to review further One Leisure's financial performance.
- 2.3 At the meeting of the Economic Well-Being Panel in February 2011 and as part of their deliberations on the Council's Budget for 2011/12 it was agreed that the Working Group should also be asked to consider whether an increase in Leisure Centre income might be made by charging non-residents of the District a higher rate to use the Council's Leisure Centres.

3. REMIT OF THE WORKING GROUP

3.1 The remit of the Working Group is

- a) to review One Leisure's financial performance and make recommendations on the service's future strategic direction (to include a vision, strategic business plan recommendations and whether the service should be managed in house, outsourced or transferred into a new legal entity) and
- b) to consider whether an increase in Leisure Centre income might be made by charging non-residents of the District a higher rate to use the Council's Leisure centres.

3.2 The first meeting of the Group was held on Thursday 3rd March 2011. At this meeting a number of comments and suggestions were made with regard to the approach to the study, and this has been used to develop a detailed work programme. A copy of the proposed work programme is appended at Annex A for information.

4. FINDINGS TO DATE

4.1 The Working Group met on Thursday 28th April 2011 to discuss One Leisure Overheads and Recharges. To assist them with this task, information has been provided on the top six recharges by cost to One Leisure. These items are:

- Leisure Service Management Units
- Information Technology Network
- Accountancy
- Information Technology Helpdesk
- Payroll
- Human Resources

4.2 The Head of Financial Services has also provided a commentary on the context of recharges for support costs and the limitations on their value as a control mechanism. The key points are the importance of:

- all managers monitoring their controllable expenditure (those items they have direct influence over),
- effective, challenging dialogue from managers to ensure that support services reflect their minimum requirement and that any resulting savings are delivered wherever possible,
- simplifying the methods and frequency of recharges to only meet statutory requirements or to maximise fees and charges which are constrained by relevant costs,
- using the appropriate bespoke basis for the financial evaluation of business decisions,
- scrutiny of support services

4.3 The Head of Financial Services and the General Manager, One Leisure were in attendance. The following paragraphs summarise the Working Group's initial findings.

a) General

- 4.4 The Working Group has recognised that, to promote better understanding of the financial position in relation to One Leisure, it is necessary to continue to produce two sets of accounts. The first, service based, includes recharges and is only necessary to fulfil the Council's statutory requirements whilst, the second, significantly more important, is the controllable budget which deals with those aspects that the General Manager of One Leisure has direct influence over. Comment has also been made that the Council should outline the "social benefit" when considering future investment proposals.

b) Leisure Centre Management Units

- 4.5 The Working Group has considered details of those charges which are incurred by the management unit in performing the corporate, service planning, health and safety and promotional duties for One Leisure. In 2009/10 the net costs amounted to £270,000. Members have queried whether the cost of the One Leisure Management Team should be considered as a rechargeable overhead and have been informed that it is already intended to incorporate the cost of the One Leisure senior management into the service's general operating costs.

c) Information Technology (IT) Network / Helpdesk

- 4.6 The Working Group has commented on the rising cost of IT Network and Helpdesk Services. These have increased from £1.473M in 2008/09 to an estimated £1.833M across the Council for 2010/11. The cost of the service which has been recharged to One Leisure has increased from £170,000 in 2008/9 to an estimated £249,000 in 2010/11.
- 4.7 The Working Group has noted that the IT Network Service is recharged to users on a per computer basis. As at the last review, Leisure's share is 92 computers, which represents 13.6% of the Council's total of 678 computers. It is this that produces the estimated cost to One Leisure of £249,000 in 2010/11. Members recognise the simplicity of the recharge basis.
- 4.8 In considering the information provided, the Working Group has discussed the IT and telephony requirements of the Leisure Centres. Members have queried whether, for example, their PCs need to be connected to the District Council's central server at all times and whether the Centres have the same software requirements as those at Pathfinder House. The Working Group consider that there should be detailed discussion between the General Manager, One Leisure and the Head of IMD to identify any opportunities where the Council could make overall savings as a result of changes to One Leisure's requirements. Recognising the significant cost of IT the Working Group **recommends that the Cabinet arrange for the Council's IT costs to be reviewed.**

d) Accountancy

- 4.9 Having been advised of the level of support provided by the Accountancy Team to One Leisure and the General Manager's overall level of satisfaction with it, Members have concluded that the charges for the service represented good value. The estimated cost of the service is £112,000 in 2010/11 and this apportioned according to the amount of time members of the Accountancy team spend on each Service.

e) Payroll Service

- 4.10 The Working Group has discussed the cost of the Payroll Service and noted that in 2009/10 the cost of the service to One Leisure had been £95,000 compared to a cost of £142,000 for other Council services. Members are of the opinion that given that One Leisure employees represent approximately one third of the workforce, this is a reasonable and fair charge.
- 4.11 The Group have been informed that the service provided by payroll far exceeds that which would normally be provided by a payroll bureau. For example it includes on-line sickness monitoring and travelling claims. The Group has asked for details of the Council's payroll cost per employee with a view to using this information as a basis for comparison with other organisations. However their preliminary opinion is that the figures are probably comparable with other organisations.
- 4.12 Now that the One Leisure staff who were previously paid weekly have transferred onto the monthly payroll there has been some transfer of input work from Payroll to One Leisure and this may result in a need to adjust the allocation basis.

f) Human Resources (HR)

- 4.13 In considering the cost of the HR Service, the Working Group has noted the view of the General Manager, One Leisure that it may be cheaper for him to procure such services directly. In 2009/10 the cost of the service amounted to £65,000. Having been advised of a number of areas in which savings could potentially be realised, the Group have asked the General Manager to discuss with the Head of PPP his service requirements and whether transferring responsibility for functions to One Leisure would produce an overall saving for the Council. In making this request, the Group are mindful that the Council will still need to provide these services in some form.

g) Other Issues

- 4.14 The Working Group's overall aim is to optimise the functions that are required to provide the One Leisure service. The Group have also asked the General Manager, One Leisure to identify any other support elements which he considers could be varied and then discuss and quantify any overall savings to the Council that would result. Any agreed savings should be reported to a future meeting.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1 The Working Group has welcomed the opportunity to obtain a greater understanding of the recharges that are incurred by the One Leisure Service. They will continue to review the financial performance of One Leisure as part of their ongoing study and further recommendations will be forthcoming.

Having considered the content of the Working Group's report at their meetings on 7th and 9th June 2011 respectively, the Overview and Scrutiny Panels (Social and Economic Well-Being) have endorsed its contents for consideration by the Cabinet. It is therefore

RECOMMENDED

- a) that the contents of the report be noted, and**

b) that the recommendations in paragraph 4.8 of the report be endorsed.

BACKGROUND DOCUMENTS

Minutes of the meeting of the Overview and Scrutiny Panel (Economic Well-Being) held on 13th January and 10th February 2011.

One Leisure Activity Analysis 2009/10 – Actuals

One Leisure- Activity Analysis 2010/11 – Estimated Outturn

Briefing note prepared by the Head of Financial Services.

One Leisure Working Group File held by Democratic Services

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ANNEX A

PROPOSED WORK PROGRAMME

1. RECHARGES AND OVERHEADS

Steve Couper to brief the Group on –

- a. Breakdown of the first six items in the list of recharges – how calculated/explanation of increases in last two years

2. PROFITABILITY OF INDIVIDUAL ACTIVITIES AND RETURN OF INVESTMENT

Simon Bell to brief the Group on -

- a. Review of financial sheets already handed out
- b. Discussion on the value of crèche, cafe and other facilities
- c. Provision of information on scale of recent investment
- d. Review of contribution obtained from recent investment
- e. The functions required to provide the service

3. FIVE YEAR FORECAST

Simon Bell to brief the Group on –

- a. Provision of more detailed five year forecast
- b. Discussion of likelihood of the improvements arising

4. PRICING

Simon Bell or Gemma Bonnet to brief the Group on –

- a. Competitive analysis
- b. Dual pricing

5. PREMISES, INCLUDING OWNERSHIP AND CAPACITY

Simon Bell or Colin Meadowcroft to brief the Group on -

- a. Discussion on capacity issues such as car parking
- b. County & Town Council position on land ownership

6. PRODUCTION OF BUSINESS PLAN RECOMMENDATIONS

Terry Parker and Simon Bell to address the Group.