

**HUNTINGDONSHIRE DISTRICT COUNCIL**

<b>Title/Subject Matter:</b>	One Leisure - Six Monthly Update Report
<b>Meeting/Date:</b>	Overview and Scrutiny (Social Well-being) – 1st March 2016 Cabinet – 17th March 2016
<b>Executive Portfolio:</b>	Councillor Robin Howe – Executive Member for Commercial Activities
<b>Report by:</b>	Head of Leisure and Health
<b>Ward(s) affected:</b>	All

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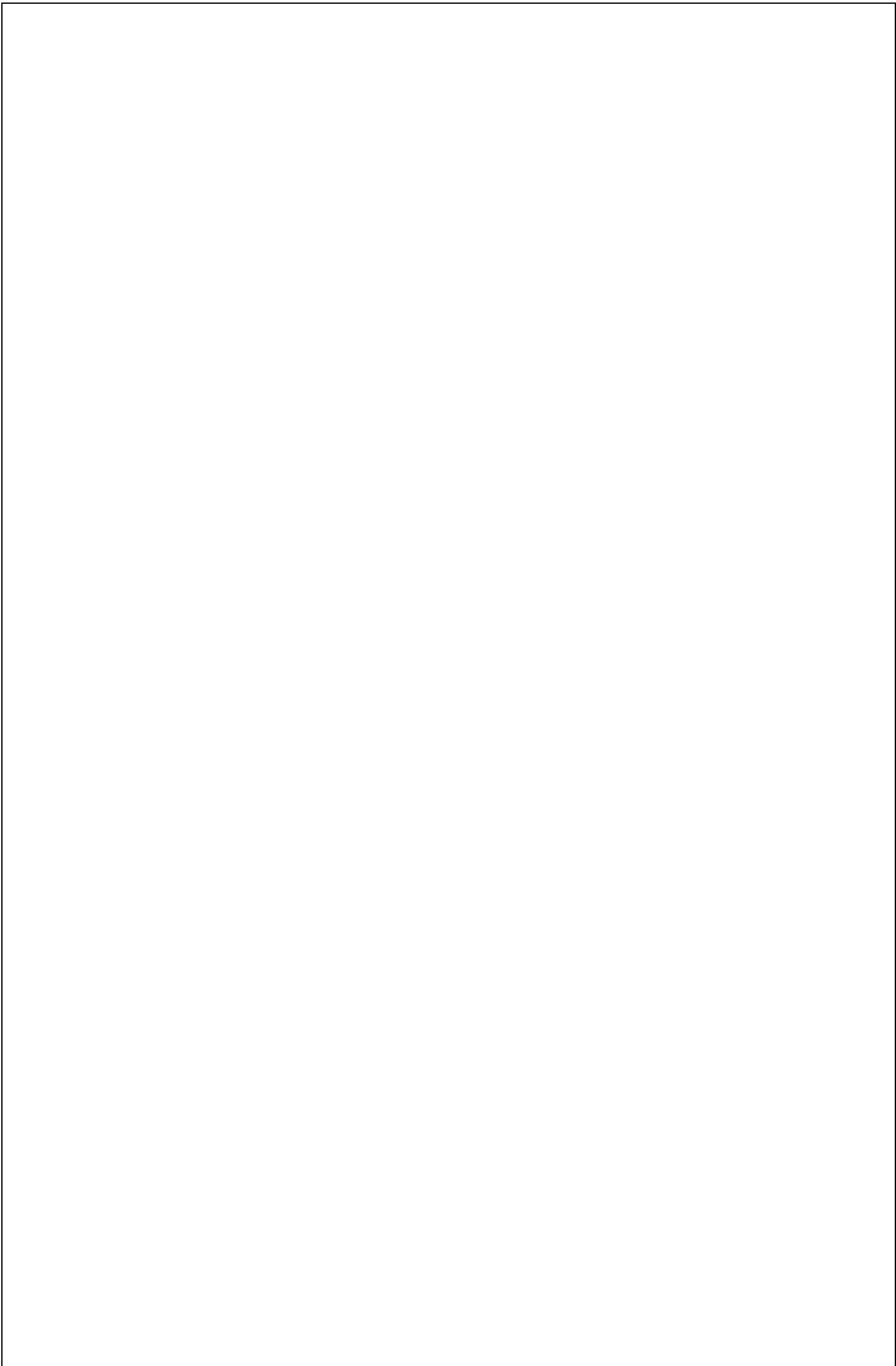
**Executive Summary:**

The purpose of the report is to provide a six month update to Cabinet on progress following the meeting in September 2015. Progress made is as follows:-

- The latest forecast suggests the Group is on target to achieve annual sales of £6.85M (Budget £6.97M) with an operating surplus of £350K (Budget £343K)
- This represents a turn-round of £420k compared with 2014/15
- Adjusted for Capital Charges of £165k the surplus represents 3% of annual sales.
- Management have controlled monthly trading, with each month still remaining in profit with the exception of October where several significant maintenance issues were resolved, however due to busier periods, expenditure has risen in accordance with increases in revenue.
- 2014/15 admissions showed an increase in attendance of 9% against the previous year and is currently showing a year to date improvement of just under 2%
- A phase II of the management restructure is complete and all sites now have a new structure in place and operating effectively. Further reviews of operational staffing levels continue in response to the management restructure.
- Following the review of One Leisure Sawtry, a new operating model with reduced times and staffing resources has been implemented successfully which has reduced the operating deficit by circa £50K in this financial year with further savings expected. This review has also renewed a productive partnership with the on-site college as part of a strategy to re-engage with the local community.
- Ramsey is now trading at near breakeven levels with strong performances from St Neots and St Ives.
- The refurbishment of the Huntingdon site is important to revive flagging usage in the town although the centre remains profitable.
- Following the delivery of a new membership model in June, pre-paid memberships have increased by over 300 members, which when coupled with a pricing restructure has increased revenue in Impressions memberships by £155K
- A strategic review has now been completed and is being finalised through this round of Cabinet reporting.

**Recommendation(s):**

Members are asked to consider and comment of the progress of One Leisure over the last six months



## 1. WHAT IS THIS REPORT ABOUT

- 1.1 To provide Members with a performance update for One Leisure

## 2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 It was agreed following the One Leisure Cabinet report in September 2015 that a six month update was reported on progress.

## 3. ANALYSIS

### 3.1 Performance

The 2014/5 financial outturn for One Leisure reported a deficit of £61K. A budget target following the ZBB process of a surplus of £343K was set for 2015/16 and current forecast indicate that the outturn should exceed that figure by in the region of £5-10K.

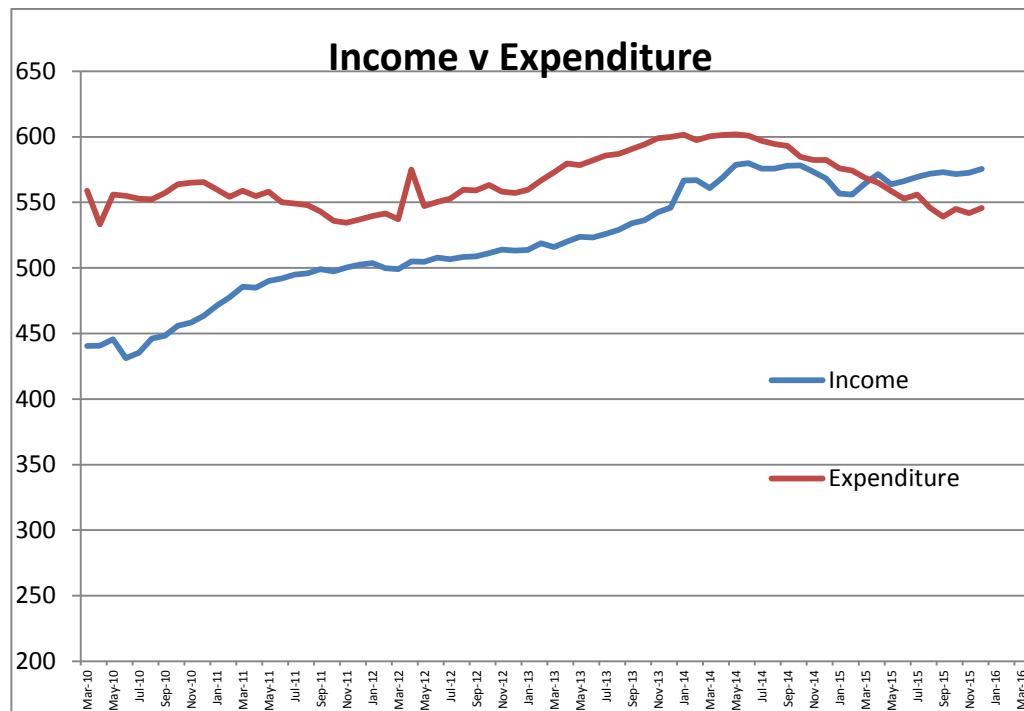
The majority of this improvement has been delivered by the streamlining of the business through ongoing monitoring of expenditure and the restructure of all sites management structures. Income growth continues at a rate of around 3%, however this is mainly attributable to price rises in Impressions and Swimming Lessons.

The financial performance for this financial year to the end of December 2015 is summarised in the table below, with comparisons to budget and previous year.

The profiled actuals column below has been included to provide the current position whereby significant receipts or payments already made / received have been profiled across the whole financial year.

<b>Budget 2015/6</b>	<b>Actuals to date 2014/5</b>	<b>Actuals to date 2015/6</b>	<b>Profiled Actuals to date</b>
(343,392)	177,109	(238,832)	(238,011)

The following MAT graph illustrates the shift in the financial position of One Leisure. As previously reported, the income and expenditure lines were converging, however this financial year they have crossed and on a month by month basis, Income is tracking above expenditure. Expenditure has flattened out in the last few months as management have used the traditionally profitable time of the year to undertake ongoing maintenance without adversely affecting the end of year forecast/target.



Financial performance continues to be closely monitored and is now scrutinised on a bi-monthly basis through the Leisure Board meetings.

The attendance figures across all sites for 2014/5 were 2,306,758, which was an increase of over 9% on the previous year. The current year to date attendance figure is 1,675,254, which is 14,000 increase on the previous year to date. Attendances at Ramsey and St Ives have increased significantly, however Huntingdon and St Neots, where there is increasingly more competition in the fitness market have stalled. Sawtry has seen numbers decline, but that is to be expected following the business review.

### 3.2 Management Restructure

Phase II of the Management Restructure is now complete and has made changes to the structure that sits directly below the Business Development Managers posts. The key drivers for the proposed structure are to;-

- Provide an efficient and effective structure that avoids duplication.
- Operationally managing the procedures and processes at a site level to drive and deliver a customer focussed service.
- Deliver of a consistent operational model across all of the One Leisure facilities.

A new post of Facility Manager has been created to oversee the operational management of each facility and to implement the programming and activity services to drive revenue streams. This reduced the previous Deputy Manager

and 4 redundant Centre Manager posts from 8 to 4 FTE's, with those being unsuccessful filling vacancies that were held at the Duty Manager level below.

A skills matrix was applied to the Duty Manager team, who all contributed to the process and a re-allocation of individuals to ensure an even spread of skills and experiences across all sites was delivered. Early signs are that this has been well received and each Centre is working hard to re-establish the key elements of service delivery. Ongoing monitoring of front of house staff (reception, recreation assistants and cleaners) is now being completely and it is envisaged that as business continues to grow, it will be necessary to manage resources pro-actively to ensure that service standards do not deteriorate. The balancing act of this whilst maintaining financial success will be challenging.

### 3.3 Sawtry Review and Implementation

The planned OLS review and implementation has now been in place since November 2015. By reducing the centre operating hours, combining management teams with OLR the net staffing cost has been reduced as expected. 2015-16 net expenditure will outturn at around £100K and in 2016-17 forecasts show a further decrease to under £50K.

The new focus for OLS is to reconnect with the community. Actions have been taken to rebuild the relationship between OL and the Sawtry Academy Management Team, with the school taking a bigger presence in the centre, using more of the facilities more frequently and sharing resources such as marketing, equipment and room space. Relationships with local clubs have also been targeted with a view to make OLS the centre of the Sawtry community, improving provision, usage and alternately net costs. Evidence of this work can already be demonstrated new activities and programmed sessions proving popular with the community.

### 3.4 Implementation of Membership packages

The new membership options were introduced in April/June 2015. The purpose of the new membership options was to create packages so members are only paying for what they use at a fairer and more competitive price.

Whilst the current direct debit gym based memberships is showing a downturn in new members, annual subscriptions have increased with the net effect on income, aided by the usual price rise, standing at an additional £155K on year to date.

The Table below shows the comparative sales of Impressions (gym based) pre-paid memberships on sales to the end of January.

2014-15 to date	Total
Joiners	5169
Leavers	5310
Loss / Gain	-141
2015-16 to date	Total
Joiners	4732
Leavers	4715
Loss / Gain	17

The biggest success of the new membership packages has been the swimming direct debit where over 500 new subscriptions have been sold leaving the net position for all pre-paid membership as an increase of 555 subscriptions.

Following the launch of the OneTeam HDC staff membership scheme, 336 members of staff have taken out membership. Over the next couple of months, this scheme will be promoted along with a series of health promotion activities as part of a work place health programme, to improve the health and wellbeing of the workforce.

### 3.5 Investment Programme

The following is an update on the progress of the Capital projects

- OLSN 3G Pitch. Sport England funding of £274K confirmed. Work was due to commence in March 2016, to mitigate the impact on current users, however issues with Sport England's preferred contractor management suppliers has seen the project slip into April 2016. The Centre has been able to work with clubs to reduce the financial impact any further.
- OLH Impressions Extension – A full Business Case has now been submitted to the Finance Governance Board to request release of agreed funding in 2016. This entails a capital investment of £795K with revenue returns expected to achieve a maximum 5-6 year payback period. This development will also look to bring the Huntingdon facility into line with the other larger sites and help combat competition from local fitness operators.
- Fitness Equipment – A full review of the current offering of fitness equipment has taken place and capital funding sought for the replacement of all 5 sites Indoor Stationary Cycles. The growing phenomenon of Cycling in the UK has led One Leisure to identify the sport as a potential new revenue stream opening up new user groups with technical advances in equipment and the use of "Virtual Tour Rides and Classes" appealing to the growing numbers of cyclists. A procurement exercise is underway with a view to a newly branded activity being introduced in April 2016.
- OLH Swimming Pool Changing Room Development – OLH have been successful in reaching the latter stages of a Sport England bidding process to deliver funding to assist with the redevelopment of swimming pool changing rooms. The current facility dates back to the original pool opening in 1981 with development since limited to decoration and running repairs. It now falls significantly behind all of the other swimming pool facilities which have all experienced redesign developments to bring into keeping of modern facilities with family orientated design and features. Sport England have agreed to fund circa £250K with HDC delivering £75K as part of a matched funding process. This piece of work now enters design phase before final sign off of funding is complete.

### 3.6 One Leisure Strategic Plan (2016-21)

The One Leisure senior management have been working alongside the Portfolio Holder and Corporate Director to create a strategy that looks forward for the next 5 years and provides direction and key areas for development to attain its goals and objectives.

The plan is centred around 3 key pillars which focus on:

- Our People (One Leisure Staff)
- Our Customers (One Leisure users)
- Our Facilities (One Leisure sites, products and services)

Key development opportunities are derived from an analysis of current users and latent demand, with a plan to deliver specific activities and service improvements to grow One Leisure into an £8M business with a return of 10% surplus on revenue.

#### **4. COMMENTS OF OVERVIEW & SCRUTINY PANEL**

- 4.1 Comments from the Overview and Scrutiny Panel will be inserted following the meeting on the 1<sup>st</sup> March.

#### **5. KEY IMPACTS AND RISKS**

- 5.1 The key impact and risk to One Leisure and the Council is that the financial performance does not achieve budget. However through the Leisure Board structure, the financial and general performance of One Leisure and each individual centre is monitored and challenged on a month by month basis. Underperformance is identified early and mitigations put in place to improve performance.

#### **6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

- 6.1 Not applicable

#### **7. LINK TO THE CORPORATE PLAN**

- 7.1 A strong local economy – One Leisure provides good quality services that make the district a better place to live and work. Additionally providing significant employment opportunities within the centres, as well as developing and investing in the skills of the workforce

Enabling Sustainable Growth - Enhancing the built environment through the capital investment programme

Working with our communities – to improve the range of facilities and opportunities for the community to improve their health and wellbeing.

Ensuring we are a customer focussed and service led council – Currently the Centre admissions is up on previous years. This is also enhanced by the introduction of a new ‘communicate’ programme alongside customer focus groups and NPS surveys.

#### **8. CONSULTATION**

- 8.1 Not applicable

#### **9. LEGAL IMPLICATIONS**

- 9.1 None arising from this report

#### **10. RESOURCE IMPLICATIONS**

10.1 None specifically arising from this report that have not been covered in the previous sections

**11. OTHER IMPLICATIONS**

11.1 None arising from this report

**12 REASONS FOR THE RECOMMENDED DECISIONS**

12.1 Supported by the Portfolio Holder, One Leisure has seen a significant shift in its financial position and management culture over the last two years. The purpose of the report is to share the ongoing progress that is being made throughout the One Leisure Operation.

**13. LIST OF APPENDICES INCLUDED**

13.1 None

**BACKGROUND PAPERS**

None

**CONTACT OFFICER**

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