

BABERGH DISTRICT COUNCIL

From: Head of Community Development	Report Number: L63
To: Overview and Scrutiny (Community Services) Committee	Date of meeting: 13 September 2011

BABERGH DISTRICT COUNCIL AND SOUTH SUFFOLK LEISURE - PARTNERSHIP DEVELOPMENT REPORT

1. Purpose of Report

- 1.1 To report on the performance and development of a key strategic and operational partnership between the District Council and South Suffolk Leisure (SSL), an independent leisure trust with responsibility for operating the Kingfisher Leisure Centre in Sudbury and the Hadleigh Swimming Pool. This report has been jointly prepared by BDC and SSL.

2. Recommendation

- 2.1 That the content of the report be noted.

The Committee is able to resolve this matter.

3. Financial Implications

- 3.1 There are no financial implications associated with the content of this report.

4. Risk Management

- 4.1 The nature of this report is such that a risk assessment is not required as the committee is not being asked to make a decision or agree any recommendations.

5. Consultations

- 5.1 The nature of the report is such that consultation has not been required.

6. Equality and Diversity Impact

- 6.1 The nature of this report is such that a EQIA is not required. South Suffolk Leisure are committed to ensuring equality of access to services and have an equality policy in place, which was last reviewed in May 2011.

7. Shared Service / Partnership Implications

- 7.1 There are no shared service implications in relation to this report.

8. Key Information

End of Year Accounts 2010/11

- 8.1 For 2010/11 SSL made a net loss of £18.8k, this was against a budget prediction of a small operating surplus of just over £4k. The withdrawal of central government funding for free swimming, soon after the general election, has had a significant affect on this variance between budget and actual figures. The scheme was also part funded by Babergh and entitled those 16 years and under, and those over 60 to free swimming. The previous government guaranteed this funding for two years from April 2009, but the central government element was withdrawn from the end of July 2010. Following reports to members, Babergh agreed to keep the scheme operational until the end of August, to coincide with the end of the school summer holiday period. This resulted in a budget saving for Babergh as expenditure for the scheme had been budgeted for until the end of the financial year.
- 8.2 In comparison with the previous year's trading, which saw a full year of free swimming being implemented, swimming participation was down by 38%. This reduction in footfall has had a marked affect on anticipated food and beverage income, which was down by £30k in comparison with budget. Swimming income was also significantly affected (£25k down on budget), the loss of free swimming having a consequent affect on paying participation (e.g. adults companying children entitled to free swimming). Other areas of operational activity did better than anticipated; going some way to offset some of these loses. Income from swimming lessons was up £25k above budget and other income from external funding sources up by £17k. Income from Gym use was down, as a result of an increasingly competitive market in Sudbury. A full financial breakdown is attached to this report as appendix a.

Strategic Partnership

- 8.3 Babergh and SSL have worked together to mitigate the effect of increasing financial pressures in the public sector, and increasing market pressure on SSL's operation. Discussions were embarked upon with the other leisure trusts and the relevant local authorities across the west of Suffolk. These discussions examined both the possibilities for operational savings to be made through joint procurement of services for the trusts, particularly utility and back office costs such as I.T and H.R and savings that could be made through merging some or all of the trusts. SSL's management and board were very supportive of these moves and were keen to look at all possibilities. The analysis of costs in relation to shared procurement of services revealed that SSL had already made significant progress in reducing these costs with their suppliers and had, in fact, achieved significantly better value for money than the other trusts; to the extent that shared procurement would actually increase the costs to SSL. Discussions on the possible merging of trusts could not progress because of a reluctance on the part of the other trusts and local authorities to consider these possibilities, despite some initial agreement to examine this via a detailed cost analysis. The strategic direction agreed therefore to achieving maximum value for money moved on to discussions on building the business of SSL in order to boost income and reduce costs to Babergh through consummate reductions in the management fee paid.

- 8.4 It should be noted that the initial 5 year funding agreement with SSL, which ran from 2006 when the trust began trading, contained an agreement to reduce the management fee in year 3 by around £40k. This was predicated on plans to increase income through the expansion of the gym facilities at the Kingfisher site in Sudbury. Members will be aware that these possibilities were fully examined and proved impractical, because the balance between the capital costs and the potential additional income that could be generated would not yield the surplus needed. Discussion moved on to alternative options and during 2010, detailed plans and a business case were completed for an extension to the Kingfisher site, the capital costs of which were substantially lower than the original plans. The extension will house a soft play facility, a facility that will be less pressurised by local competition than one aimed at the fitness/gym market. The detailed business case, which has been scrutinised both by officers and members, suggest that both the costs of construction can be covered and surplus income generated, which in the longer term will ease pressure on the management fee and provide additional financial security for the trust. The financial arrangements will be that the capital will be financed by a loan taken out by Babergh, the repayments for which will be taken from a reduction in SSL's management fee.
- 8.5 In the shorter term savings have been agreed through the renegotiation of the management fee payable from April 2011, the funding and management agreement containing provisions for the fee to be re-examined on a rolling 5 year basis. SSL have agreed to forgo the entitlement to an RPI uplift to the fee, yielding savings of around £35k over the funding period. The additional income generated from the extension to the Kingfisher site will help establish financial security for the trust over this period and in the longer term provide the opportunity for further savings to be made. In addition SSL are working with Babergh's technical staff to look at ways of generating savings through options to reduce utility costs through engineering solutions by, for example, improving water filtration.
- 8.6 Members will also be aware that SSL were successful in tendering for the management of the new facility to be built in Hadleigh adjoining the existing swimming pool. The facility will contain a mixture of leisure facilities and community facilities.
- 8.7 Changes to performance information collected has meant more effective monitoring of some key elements linked to Babergh's corporate priorities, namely information about use of facilities by disabled people and those in receipt of welfare benefits. These issues link to the health inequalities agenda. SSL have worked with Optua on the implementation of the Big Splash programme offering supported swimming in fun environment to people with disabilities. SSL also developed plans for a subsidised gym membership programme aimed at people with obesity (based on BMI calculations) with limited financial means. Support was sought from the NHS to fund these plans given the link with the public health agenda, however the NHS were unable to support the programme. Babergh funds are limited in this context, supporting financially as we do, GP referral programmes across the district. NHS support was also been repeatedly sought for this programme given the similar links to public health issues, but again this is unable to be supported at this time by that agency. It is hoped, with the shift in responsibilities for public health to local authorities, albeit only for top tier authorities (in Suffolk, the County Council), that support for such programmes may be forthcoming in the future.

Operational Achievements

- 8.8 As SSL enter their sixth year of operation, they are able to compare performance between the previous five years, which can certainly help identify trends or unexpected movements in our figures. In broad terms, SSL have maintained good attendance levels throughout 2010/2011 – considering the free swim initiative finished in August 2010.
- 8.9 SSL continues to work closely with Babergh District Council's community sports development team. Commitment has also been ongoing in supporting Babergh and other strategic partners including the Primary Care Trust, Age UK Suffolk, Hadleigh Swimming Club and Sudbury Swimming Club.
- 8.10 The SSL swim school continues to deliver at an exceptionally high standard. Partnership working with the Amateur Swimming Association (ASA) continues to be progressed. Despite the current economic climate Kingfisher showed a 9% increase in participation at the end of the year. SSL now accommodate 1382 swimmers each week. The Aquatic link programme was a big success for SSL significantly increasing the transfer of children into club swimming during 2009/10.
- 8.11 SSL have also forged partnerships with The Quay Theatre in Sudbury to support marketing and promotional activity for the theatre along with sharing meeting room and catering facilities in a contra deal arrangement.
- 8.12 One of SSL's proudest achievements this year has been the successful tendering for the new Hadleigh Community Facility. Management of the new building will not only enhance services offered to those living in Hadleigh and surrounding areas, but also improve employment development opportunities for those currently working in the trust and those that may be employed in the future.
- 8.13 SSL continues to make significant progress with the annual service delivery plan. Each year we report on a range of operations issues that we focus upon, progress of which is reported below:

In 2010/11 we:

- Refurbished and invested £90k in the health and fitness centre at Kingfisher Leisure Centre, Sudbury.
- 200 additional gym members following the refurbishment in January 2011. The highest sales figures since the trust was formed in 2006.
- Two new products were introduced into the group fitness programme.
- Power Plate was introduced in January 2010 and by the end of March 2010 had penetrated 16% of the current membership base. (This figure is now 28.8%).
- Our staff structure continues to be 'fit for purpose'. The operational and strategic report routes continue to work well. Considerable progress has been made by the team during 2010/11. Key areas of considerable growth can be seen within the sales and marketing team. Operationally we have been seriously stretched and all areas of the business have ensured that by working together that targets both operational and financial have been met. Our staff openly demonstrate their commitment and enthusiasm to both our users and South Suffolk Leisure.

- SSL continues to deliver regular customer care training through the *BEE* programme on a monthly basis, this is supported by other statutory and non statutory training.
- Our formal customer comments procedure continues to ensure that we fully investigate where our services sometimes drop below acceptable levels of service delivery. Follow up satisfaction calls are being completed for 20% of all complaints received at both sites. We are pleased to report that complaints associated to cleaning have reduced by 22% this year at Kingfisher Leisure Centre.
- Customer Forums are being delivered across both sites on a quarterly basis. We are pleased to report that the level of participation and feedback within these groups has been consistently high.

Performance in 2010/11

8.14 Numbers of swims were down significantly, for reasons connected to the cessation of free swimming as detailed elsewhere in this report. The tables below break down the figures and make reference to the categories associated with the free swimming scheme. To illustrate the impact of the early end of the scheme on overall numbers of swims; for Kingfisher, if the number of decreases for swimming groups associated with the free swim scheme are taken together, those figures represent over 75% of the total reduction in swims at the site. For Hadleigh the figures represent over 90% of the reduction in swims.

Kingfisher Leisure Centre

Swimmers	No. of Swims 10/11	Decrease from 09/10	% decrease
Total	64,935	39,004	37.5%
17 and under	29,165	21,821	43%
60 and over	11,117	7,917	42%

Hadleigh Swimming Pool

Swimmers	No. of Swims 10/11	Decrease from 09/10	% decrease
Total	12,326	20,027	38.5%
17 and under	3,129	3,129	54.5%
60 and over	3,958	3,205	48%

8.15 Monitoring of quarterly gym membership at Kingfisher has shown some fluctuations over the year, in comparison to the previous year. Figures were down in quarters 1 and 3 (4% and 11% down respectively), quarter 2 was static, but quarter 4 showed an upturn with an increase of 4.5%. This upturn has been continued for the first quarter of this year, with a 15% increase in membership. Sudbury has seen new commercial facilities opened, increase competition in the area. The recent refurbishment of the gym at Kingfisher and changes in marketing by SSL have contributed to this turnaround.

8.16 Other performance numbers worth noting are:

- Increased participation in swim school across both sites of 6%, over 1386 pupils per week improve their swimming skills at Swim School.
- 36% increase in swim members at Hadleigh.

Conclusions/Looking to the future

- 8.17 There have been some significant strides forward in 2010, with renegotiations of the management fee being completed, agreement on a strategy for providing value for money to Babergh and providing financial security for SSL and the development of some important operational changes. SSL with Babergh are committed to working to improve the health of residents, targeting a reduction in obesity levels and a variety of other health conditions through increasing participation in exercise. Board members are also keen to provide employment and training opportunities to the local community and are well placed to provide a first employment opportunity to school leavers. Three Apprentice posts were added to the staff structure for 2010/11 with a further added in 2011/12.
- 8.18 The key aim for the future is to achieve a sustainable business that delivers services effectively contributing to the strategic aims for Babergh. This can be done by optimising resources and re-investing surpluses. In order to meet these priorities, to continually improve service standards and work towards sustainable affordable services, the following are key areas of work:
- Seek to identify and develop opportunities for growth and capital investment.
 - Continue to build links with the local business community to explore partnership opportunities and sponsorship.
 - Partnership working with BDC and full involvement of staff and users in our drive to improve energy efficiency and in delivering on key BDC objectives.
 - Appraise grant funding opportunities to assist with the funding of youth outreach programme.
 - Open Little Kingfishers soft play centre by February 2012.
 - Open the new Hadleigh Community Facility by summer 2012.
 - Consider ways of widening access beyond traditional leisure pursuits and capacity building.
 - Review pricing structures in particularly for vulnerable groups and individuals.
 - Further develop our staff training programme to ensure support and continuity planning for our business.
 - Focus on customer retention.

9. Appendices

Title	Location
(A) Account breakdown	Attached

10. Background Documents

None.

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Appendix A

	Total £	YTD budget £	YTD variance £
Income			
Instructor Classes & Crèche	48,484	43,510	4,974
Entry Fees (spectators)	383	600	(217)
Swimming - casual & bookings	444,388	470,000	(25,612)
Swimming – lessons	284,626	260,000	24,626
Other Activities	9,451	9,000	451
Fitness	311,641	337,000	(25,359)
Food & Beverage	87,133	117,000	(29,867)
Shop	33,254	28,400	4,854
Other Income	192,999	175,164	17,835
Total Income	1,412,360	1,440,674	(28,314)
Cost of Sales			
Food & Beverage Purchases	46,520	60,000	13,480
Shop Purchases	18,714	15,000	(3,714)
Direct Expenses			
Instructor Costs	119,952	113,388	(6,564)
Crèche, Gym & Pool Equipment	7,784	6,500	(1,284)
Gross profit	1,219,391	1,245,786	(26,395)
GP%	86%	86%	
Overheads			
Direct Staffing	691,951	690,000	(1,951)
Travel	5,215	6,000	785
Utilities	200,098	210,000	9,902
Administration	30,723	25,000	(5,723)
Repairs & Maintenance	121,044	120,000	(1,044)
Interest	0	0	0
Cleaning	13,067	15,000	1,933
Marketing	23,131	16,800	(6,331)
Service Charges	10,902	11,200	298
Legal & Professional	15,662	22,000	6,339
Licenses	8,274	7,500	(774)
Indirect Staffing Costs	9,129	15,000	5,871
Depreciation	12,786	12,000	(786)
Insurance	17,519	18,500	981
Equipment Purchase & Repair	7,602	10,000	2,398
Pool Chemicals	13,195	18,000	4,805
Rental, Leasing & Hire	7,434	6,000	(1,434)
Other Costs	561	1,500	939
Irrecoverable VAT	49,965	37,020	(12,945)
Total overheads	1,238,258	1,241,520	3,262
Total expenditure	1,431,227	1,436,408	5,181
Net profit/(loss)	(18,867)	4,266	(23,133)