

BABERGH DISTRICT COUNCIL

From: Head of Communities	Report Number: M85
To: Overview and Scrutiny (Community Services) Committee	Date of Meeting: 25 September 2012

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 an equality analysis 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 2011/12

- 8.1 For 2011/12 SSL made a net loss of £102k, this was against a budget prediction of a loss of just over £30k. It follows a loss made last year of £19k. Following discussions and scrutiny of the issues by council officers, three main causes were identified for the variance between actual figures and SSL's budget: a 30%+ increase in utility costs; an unexpected liability for VAT and a significant drop in gym membership income (£59k less than budget).
- 8.2 The issue connected with VAT payments concerns the definition of recoverable and irrecoverable VAT. As a charity with a trading arm the trust are able to recover some, but not all of the VAT costs payable. This principally concerns costs associated with utility and maintenance payments. When the trust was established a formula was arrived at which sought to determine the percentage costs in relation to this balance between irrecoverable and recoverable VAT costs. This formula was arrived out in consultation with the legal and financial advisors engaged with when the trust was set up. Last year it became clear, through the usual audit channels, that the balance arrived at was incorrect and the liability was greater than anticipated and budgeted for. As a result the trust became liable for £23k more than anticipated in the budget.
- 8.3 Discussions between Council officers and Senior Officers of the trust have focused on why the gap between expected income and actual income has arisen. The cost related issues – utility costs and the issues connected with irrecoverable VAT are, in the view of Council officers, matters that were beyond the control of SSL. In respect to the former, although some rise in costs could have been and indeed were anticipated, a rise of over 30% is exceptional and difficult if not impossible to predict. The VAT related issues were in relation to the financial arrangements put in place at the outset of the trust and continued in good faith by the current management of the trust. It was a matter that had also eluded the auditors until last year; the auditors being well respected and serving a number of trusts around the country.
- 8.4 In respect of the income the principle issue is that of Gym membership, the key income stream for the trust. SSL's view is that the prevailing financial climate has been the main driver affecting the number of gym members they have. The budget for the year expected an average of around 1,000 members consistently signed up each month; this is consistent with previous year's performance. Membership numbers dipped to around 750 in 2011 before making a recovery with numbers close to 900 in January of 2012. SSLs auditors have confirmed that they have seen similar issues affect other trusts and an informal conversation with a CEO at another trust in West Suffolk indicated that organisation had faced similar challenges; the effect on that trust was less significant though as it is a larger trust with more diverse income streams making it more resilient. The effect on SSL was more marked given its smaller size and the driving down of subsidy by Babergh over the last 3-4 years.
- 8.5 A small amount of additional finance was agreed during the course of last year to compensate in part for the rise in utility costs and that in combination with the use of SSLs small reserves helped ensure that the trust continued to be solvent. Discussion about the future funding (2013 and beyond) and financial stability of the current management arrangements for Babergh leisure facilities are ongoing and will be considered formally by Members of the Strategy Committee later this year.

Strategic Partnership

- 8.6 Over the previous 2 years both SSL and the Council have recognised the need to build a broader income base in order to aid the development of a financially secure operation with a reduced cost on the public purse. To that end the project to extend the site at Sudbury was developed and implemented. The extension houses a soft play area aimed at children under 10 years and families. The work was completed on time and in budget and is providing an important new income stream for the trust as well as an enhanced range of services.
- 8.7 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. That project has been slightly delayed, by around a month, due to the exceptionally wet weather in the early/mid part of the summer. Currently the building is due to be handed over in late September and due for opening in early October. Although this too will provide an additional income stream for the trust it is unlikely to have a substantially positive affect on the bottom line as the income from the leisure facilities in the building is likely to be needed to subsidise the costs of providing the community facilities. The operational of this facility in itself attracts a management fee of around £30k per annum, which is to be paid by Hadleigh Town Council. None the less broadening the operational base of the trust by improving and expanding the leisure provision offered is in the best long term interests of the Council in maintaining service provision.

Operational Achievements

- 8.8 The turnover for the business grew by just 1% to £1.42m during 2011/12. Unfortunately expenditure exceeded this by 6% to £1.52m. This was in part due to utility costs rising by 32% and income dropping in our two key areas of activity. As SSL enter their seventh year of operation, they are able to compare performance between the previous six years, which can certainly help identify trends or unexpected movements in our figures. In summary swimming participation dropped massively 30% at Kingfisher and 15% at Hadleigh. Fitness membership participation dropped by 17.5%.
- 8.9 Investment in the workforce continues to be the foundation of SSL's team success. The staff structure was reviewed in January to accommodate the new facilities opened in February this year. A full business review will be completed in 2012/13 for a number of reasons:-
- To identify new areas of income generation despite the ever challenging economic climate.
 - To put stringent measures in place to control, controllable expenditure, and
 - To set the staff structure ready for the opening on Hadleigh Pool and Leisure in the autumn of 2012.
- 8.10 SSL continues to work closely with Babergh District Council in financial planning, ongoing investment and delivering services through the community sport development team. Commitment has been ongoing in supporting the work and set up of the Community Sport Network and in hosting specific partnership events with the Authority and the Primary Care Trust.

- 8.11 One of SSL's proudest achievements continues to be the SSL Swim School. Despite the massive drops in casual swimming this year the team have achieved a further 4% growth during these challenging times.
- 8.12 One of SSL's proudest achievements has been opening the Little Kingfishers play centre in February 2012. The new facility has offered a much needed area of additional income generation and new facility for the youngest residences of the District.
- 8.13 Despite financial challenges 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 2011/12 we:

- SSL £500k investment in Little Kingfishers soft play centre
- New bespoke website development for Little Kingfishers
- Introduction on 12 month committed membership at both sites
- Expansion of SSL Apprenticeship programme throughout the Trust
- Building work has started on £2.4m Hadleigh Pool and Leisure due to open October 2012
- Portfolio expansion considerations with Hadleigh High Leisure Centre
- Our staff openly demonstrate their commitment and enthusiasm to both our users and South Suffolk Leisure.

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. SSL are pleased to report a reduction in complaints at Kingfisher Leisure Centre of 30% and 44% at Hadleigh Swimming Pool.

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 2011/12

- 8.14 Numbers of swims were down significantly. This follows a significant fall in last year's figures following the withdrawal central government support for the free swimming programme. The tables below break down the figures and make reference to age related categories. In SSL's view the dramatic decrease in participation two years ago was due to the withdrawal of free swimming, last year however can only be attributed to the current economic climate. Families have less disposal income, this is supported with evidence from income taken during a school holiday in February where casual incomes were down by 13% at KLC and 9% at Hadleigh, despite prices increases of 5%. This is historically our busiest week of the whole year.

Kingfisher Leisure Centre

Swimmers	No. of Swims 11/12	% decrease	No. of Swims 10/11	% decrease	No. of Swims 09/10
Total	48,147	-25%	64,935	-37%	103,939
17 and under	20,793	-28%	29,165	-42%	50,986
Adult	21,791	-11%	24,653	-27%	33,919
60 and over	5,563	-49%	11,117	-41%	19,034

Hadleigh Swimming Pool

Swimmers	No. of Swims 11/12	% decrease	No. of Swims 10/11	% decrease	No. of Swims 09/10
Total	11,069	-10%	12,326	-38%	20,027
17 and under	2,567	-18%	3,129	-54%	6,884
Adult	6,204	+18%	5,239	-12%	5,980
60 and over	2,298	-42%	3,958	-45%	7,163

8.15 Monitoring of quarterly gym membership at Kingfisher has shown significant variation with the numbers anticipated by the trust. There has been detailed comment on this elsewhere in this report (see para 8.4).

8.16 Other performance numbers worth noting are:

- Increased participation in swim school across both sites by 4%.
- Increased participation of disabled swimmers at both Hadleigh and Kingfisher up 111% (to 436) and 12% (to 947) respectively.

Looking to the future - 2012/13 and beyond

8.17 SSL with Babergh are committed to working to improve the health and wellbeing of residents, for example by targeting a reduction in obesity levels and a variety of other health conditions through increasing access to and participation in exercise and by supporting individuals and communities to start making the right choices now that will have positive outcomes for their future health and wellbeing.

8.18 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. The new community facility in Hadleigh due to open in October 2012 will also create a range of new local employment opportunities.

8.19 The key aim for the future is to achieve a sustainable business that delivers services which contribute effectively to the strategic priorities for Babergh particularly those impacting on community health and wellbeing outcomes and a reduction in health inequalities where these exist. 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 Babergh and full involvement of staff and users in our drive to improve energy efficiency and in delivering on key Babergh objectives especially those linked to health and wellbeing
- Appraise grant funding opportunities to assist with the funding of youth outreach programme.
- Open the new Hadleigh Community Facility by October 2012
- Consider ways of widening access beyond traditional leisure pursuits and capacity building.
- Through our services contribute to the wider promotion of healthy lifestyle choices and greater personal responsibility for health and wellbeing
- 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

10.1 None.

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Appendix A

	Total £	YTD budget £	YTD variance £
Income			
Instructor Classes & LK	54,677	45,400	9,277
Entry Fees (spectators)	781	0	781
Swimming - casual & bookings	400,443	423,972	(23,529)
Swimming - lessons	300,051	296,500	3,551
Other Activities	12,839	5,556	7,283
Fitness	324,587	383,450	(58,863)
Food & Beverage	88,928	81,200	7,728
Shop	34,816	34,800	16
Other Income	207,586	175,164	32,422
Total Income	1,424,708	1,446,042	(21,334)
Cost of Sales			
Food & Beverage			
Purchases	52,835	40,790	(12,045)
Shop Purchases	18,885	17,320	(1,565)
Direct Expenses			
Instructor Costs	44,556	117,900	73,344
Crèche, Gym & Pool Equipment	5,829	5,400	(429)
Gross profit	1,302,603	1,264,632	37,971
GP%	91%	87%	
Overheads			
Direct Staffing	785,318	704,102	(81,216)
Travel	3,932	6,600	2,668
Utilities	217,804	218,600	796
Administration	28,906	32,400	3,494
Repairs & Maintenance	121,481	119,964	(1,517)
Interest	0	0	0
Cleaning	13,293	13,620	327
Marketing	31,990	16,800	(15,190)
Service Charges	12,199	11,004	(1,195)
Legal & Professional	22,332	25,104	2,772
Licences	5,906	8,676	2,770
Indirect Staffing Costs	10,706	7,520	(3,186)
Depreciation	23,983	21,600	(2,383)
Insurance	19,360	19,020	(340)
Equipment Purchase & Repair	9,975	10,800	825
Pool Chemicals	11,495	15,600	4,105
Rental, Leasing & Hire	19,792	20,544	752
Other Costs	1,578	900	(678)
Irrecoverable VAT	64,890	42,000	(22,890)
Total overheads	1,404,940	1,294,854	(110,086)
Total expenditure	1,527,045	1,476,264	(50,781)
Net profit/(loss)	(102,337)	(30,222)	(72,115)