

Select Committee Culture and Recreation – 12 January 2005

Report of the Director of the Urban Environment

Leisure Centres – Performance Report

Purpose

1. To provide the Select Committee with a forecast of income projections together with a service improvement planning report for the Leisure Centres for the 2005/06 financial year based upon current information.

Background

2. At the previous meeting of the Select Committee on 3 November 2005, Members considered a report outlining a proposed performance reporting framework for Cultural Services with a range of indicators that were presented for the Committee to consider as appropriate for the Service which linked to corporate priorities, the Community Strategy, the draft Cultural Strategy and CPA Key performance indicators.
3. In the longer term data will be presented to Committee which complies with these information requirements and systems are being developed to capture all of this information and provide Members with relevant comparative information.
4. An initial requirement from Members was for a detailed report of performance within the Council's Leisure Centres, given that finance reports have been received by Cabinet which have outlined certain financial difficulties with the operation of the Leisure Centres, thus prompting this report, with a specific focus on Income.
5. The table below provides a summary of the budget position, centre by centre to give Members an initial snapshot of the problem:-

Venue	Income Budget 2005/06	Income Projected 2005/06	Variance
Brierley Hill (9 mth pro rata)	209,400	153,300	(56,100)
Coseley	192,300	141,700	(50,600)
Dudley	484,900	380,300	(104,600)
Crystal	909,300	844,800	(64,500)
Halesowen	428,500	456,600	28,100
TOTAL	2,224,400	1,976,700	247,700

Whilst this provides Members with an initial snapshot of the financial position in respect of income which demonstrates an under-achievement of just under £250,000 against the targets, further analysis is required in order that Members appreciate other factors which contribute to the under-achievement of income, other than via reduction in service users.

6. These factors include:-

- Coaching Budget Underspend

Given that expenditure on coaching is income generating it would be reasonable to assume that had all of these budgets been spent that income would have risen by at least the same amount thus reducing income short-falls. Details of this will be presented in a centre by centre analysis but in total the projected underspend across the service in respect of 'Coaching' is £105,000.

- Changes in Vending Procurement

Following negative audit reports relating to the systems in place covering vending provision it was decided to externalise vending services. Whilst this has had a negative impact on total income it has also resulted in savings made against provisions budgets with the end result being a very marginal project impact on the net surplus generated from vending. So as Members will appreciate in previous years the Centres have spent approximately £45,000 on vending supplies to generate income of £60,000 to give a surplus of approximately £15,000. In the current year no expenditure on vending supplies has been incurred and the net surplus generated via commission payments will be roughly equal of that from previous years.

- **Removal of Sun Beds**

Over the past 18 months steps have been taken to remove sunbeds from all of the Leisure Centre facilities. The main reason has been to respond to increasing health concerns regarding their use but at the same time also reflects a significant down turn in income being received from this source, for example in 2002/03 total sunbed income was in excess of £45,000 whereas in 2004/05 it had fallen to under £15,000

Income – Individual Centre Analysis

7. A centre by centre analysis will now follow, relating to income and the areas of under achievement to give Members details of how usage has changed in certain activities and had a consequent impact on income.

Brierley Hill Leisure Centre

8. Due to the Council's decision to close Brierley Hill Leisure Centre only a summary analysis has been undertaken.
9. In terms of the revised 9 month budget, income is £56,100 below budget target for that period reflecting a gradual dispersal of users away from the venue.

Coseley Swimming Pool

10. Income is reported as being £50,500 below budget target. Of that £10,200 relates to vending income which can be largely off set by a saving of £7,900 against the provisions budget and commission income estimated at £2,000.
11. The main problem areas relate to swimming instruction (which is reflected in the coaching budgets projected underspend of £10,000), fitness classes (as above) and casual swimming, income for both adults and juniors.
12. There has been a major difficulty in recruiting both swimming teachers and aerobics/aquafit instructors to the site following the departure of a long-term and popular coach.
13. In addition the general appearance of the site which has been subjected to vandalism, limited investment and rumours that the 'baths are going to close' have had an impact on throughput.
14. During the summer holiday period the facility's nearest neighbours in Wolverhampton operated a 'free swimming for all Under 16's' policy which had a significant impact as did the reopening of Tipton Baths.

15. The closure of the Aquaslide in 2002 has also significantly reduced the facility's appeal as a venue for parties and would require a capital sum of £80,000 to replace, whilst sun beds have been removed as a response to health concerns and their reducing appeal.

Crystal Leisure Centre

16. Income is projected to be £64,500 below budget target. The coaching budget is projected to be £57,300 under-spent which offsets most of the income loss, but a comparative analysis of income identifies a variety of additional factors within the income stream, that have affected performance. In particular the loss of sun bed income of £8,000 is significant whereas the loss of vending income is totally offset by savings made in provision costs.
17. The main areas of concern relate to both Health and Fitness/Membership and room hire income streams. There is a clear need to 'refresh' the health and fitness product at the centre as it is not achieving its market potential. Following the success of the Halesowen development discussions are in progress with potential partners regarding the relocation and re-equipping of the health and fitness studio, together with a plan to improve the marketing and sales functions associated with the health and fitness product.
18. In addition aerobics income has declined significantly over the past 3 years, largely on account of the service being unable to respond to changes in the market place as new types of class/activity are introduced. The Manager is currently sourcing an arrangement that will provide the variety of instructors required to provide the programme needed to re-energise the centres 'aerobics offer'.
19. The income analysis demonstrates a number of income streams that have reduced in terms of a year on year comparison. Most of these are linked to the provision of coaching in one way or another, whilst the Leisure Pool is well above the budget target in our current projections.
20. As with other centres squash has suffered a decline in visitor numbers reflecting a national trend, hall based sports are marginally below the target but room hire for the likes of the Sapphire Suite etc., is an area for development.

Dudley Leisure Centre

21. Whilst there are a significant range of income budgets that are affected to greater or lesser degrees, the key areas relating to the under achievement of budget targets are health and fitness and sun beds.
22. As detailed previously sun beds have been removed from all sites as a corporate response to health concerns and the reducing levels of

income generated by their use, Dudley's income reduced from £12,000 in 2002/03 to just £2,000 in 2004/05.

23. There is no doubt that the significant period during which the swimming facilities were closed during both 2003/04 and 2004/05 had a significant impact on trade, not just with swimmers but with others who were general members of the centre and for whom the closure of the facility resulted in them joining other health clubs in the area. The general market situation in Dudley is also extremely competitive with newer more modern facilities having been established in the Dudley Area since the 'Cardio – theatre' was modernised in 1998.
24. As at Crystal Leisure Centre discussions are on-going with potential partners regarding the expansion and modernisation of the facility together with the replacement of the Sports Dome and the provision of dry-side changing rooms.
25. Other areas for comment where proportionate under performance in income has accrued are swimming tuition, squash and miscellaneous items such as equipment hire, spectators, crèche and casual hire. But the clear area for attention is health and fitness/aerobics.

Halesowen Leisure Centre

26. The financial performance of Halesowen Leisure Centre is more complex given the impact of the new health and fitness facility and the importance of maintaining the momentum that has been created within the centre following this development.
27. In terms of income it is projected that the health and fitness suite developments will see an increase in income by £67,500 from that area although there are a number of areas where income will be below target (vending £12,400; sun beds £12,000; casual hirers £16,600 being the most significant) which mean in effect that income will be approximately £28,100 above target. However, to give Members a full picture of the financial position at Halesowen requires notice that leasing and other costs for the Health and Fitness equipment are also projected to increase in this financial year by some £65,200 which in effect means that total relative income is £37,100 below the amended budget target.

Summary

28. To summarise, the Leisure Centres projected income shortfall is made up of a variety of factors including:-
 - Unspent Coaching Budgets
 - Removal of Sun bed provision
 - Changes in vending procurement
 - Site based under-achievement of income

29. In terms of income generation it is essential that appropriate investment is secured to improve facilities to keep pace with developments in the industry, in particular those aspects of the service that are in a highly competitive market place (health and fitness) and progress has been made in this regard at Halesowen with other improvements at an early planning stage.
30. There is also the question as regards the Council's purpose in providing Leisure Centres – what is their role and what is the Council trying to achieve through such provision. In the context of social inclusion and improving the health of all residents there is a need to provide accessible and affordable facilities and the Council's pricing policy has to take account of the ability of residents to pay. The Council has demonstrated its commitment to this area with the revisions to the Options+ Leisure Card but this has had some detrimental impact on income, specifically in relation to swimming lessons where the extension of the Options+ Scheme has reduced the total income generated.
31. Even with the extension of Options+ for many borough residents the existing costs of both the Council's and private sector facilities are beyond their means and if the Leisure Centres are going to be able to play their full part in improving health and well-being for all borough residents, the competing demands in relation to income generation and the social purpose of provision has to be reconciled.

Service Improvement

32. In terms of service improvement planning the main focus at present is around the achievement of 'Quest' status for individual centres in 2006.
33. Quest is the national accreditation scheme for sports facility management which identifies 22 critical management functions which are incorporated into 4 key areas:-
 - Facility operations
 - Customer relations
 - Staffing
 - Service development and review
34. For example the Service development and review area is sub-divided into policy and strategy; activity programming and sports development; measurement and review; usage and finance.
35. The process of achieving Quest has 3 stages:-
 - i Self Assessment – Managers and teams analyse the centres performance against standards provided in the guidance pack. This identifies areas for improvement and assists

future planning. At the appropriate time a self assessment is undertaken and submitted to the National scheme managers for verification.

- ii On-going Maintenance - having achieved Quest status a centre will receive visits on a 2 yearly cycle to ensure continuing compliance with the Quest standard.

- 36. Developments have been on-going within the Service over the past 12 months with a Leisure Centres Quest Working Group established and attendance at the regional Quest Benchmarking Group in order to drive the Service improvement agenda forwards.
- 37. Halesowen Leisure Centre is the most advanced of our centres in terms of Quest preparation with the self-assessment planned for completion and submission in March 2006. This will be informed by a mystery visit to the site which will have taken place in December 2005 and if the results from this exercise are available in time for the Select Committee meeting they will be distributed to Members.
- 38. Customer Charters and a Customer Care Policy have been developed and will be launched in January 2006 and with the data provided and through the Quest Benchmarking Group, individual centres will be able to assess their performance against family groups.
- 39. An audit of Marketing and Communications was recently undertaken utilising the Council's Marcomms Division which has led to the production of a 12 month Marketing and Communication Planner, and the amount of customer consultation has increased through the acquisition of an 'Optionometer', which provides centres with the opportunity to gauge additional customer opinions on the service provided.
- 40. This increased level of customer consultation together with the improvements in the centres ICT Systems and the introduction of the Smartcard early in 2006 will provide the Council with much better information on service users, demographics, usage patterns and views on service provision in order to drive the service improvement agenda forwards.

Finance

- 41. This report is financial in nature with detailed service information and the detail is contained within the body of the report.

Law

- 42. Section 111 of the Local Government Act 1972, enables the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its statutory functions.

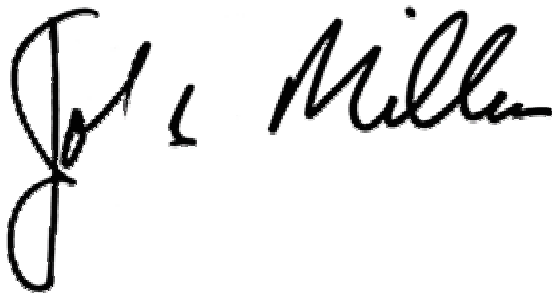
43. Section 19 of the Local Government (Miscellaneous Provisions) Act, 1976 empowers the Council to provide recreational facilities in its area.
44. There is a duty under Section 17 of the Crime and Disorder Act 1998, to account for the implications of the impact of community safety of actions and decisions relating to service areas.

Equality Impact

- 45 The proposals contained in this report are in full accordance with the Council's Equal Opportunities Policies and should in no way have any impact on different racial groups, disabled people, both genders and/or other relevant groups.

Recommendation

46. That Members consider the content of this report and comment accordingly.

A handwritten signature in black ink, appearing to read 'J. Millar', with a stylized, looped initial 'J'.

J MILLAR
Director of the Urban Environment

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List of Background Papers

- Detailed Budget Analysis – Leisure Centres Income