

**EXECUTIVE SUMMARY – HEALTH & LEISURE CENTRES OPERATING DEFICIT – SUPPLEMENTARY ESTIMATE**








**Summary of Purpose and Recommendations:**

To summarise the reasons for and to request approval for a supplementary estimate of £91,000 for the current financial year 2004/05 and an expenditure plan bid in 2005/06 of £53,000 in respect of an increase in net operating costs for the Health & Leisure Centres.

**Cost to Council: £91,000 04/05**  
**£53,000 05/06**

**Within existing budget? No**

**Contribution to Corporate Plan (Minor/Moderate/Major/Neutral):**

	+		-		+		-
		Neutral		<b>Priorities</b>			
		Neutral		Clean Streets and Public Space		Neutral	
		Neutral		Crime and Disorder		Neutral	
		Neutral		Housing		Neutral	
		Neutral		Managing our Finances			Moderate

**Comments on Impacts on Corporate Objectives and Priorities:**



Organisation of excellence



Working with public and partners



Economic well being



Social well being



Environmental well being

## HEALTH & LEISURE CENTRES OPERATING DEFICIT – SUPPLEMENTARY ESTIMATE

### 1. INTRODUCTION

- 1.1 In February of this year a projected shortfall against budget of £160,000 for Health & Leisure Centres for 2003/04 was reported to members.
- 1.2 A bid of £198,000 for a projected shortfall of income against budget was included in the Expenditure Plan proposals for 2004/05.
- 1.3 The bid was based on the projected year end position for 2003/04 given the actual financial position at Oct 2003.
- 1.4 The purpose of this report is to advise members of a continuing shortfall in income against budget at Ringwood and Totton Health & Leisure Centres and to request a supplementary estimate in respect of an increase in net operating deficit for the current financial year.

### 2. RINGWOOD HEALTH & LEISURE

- 2.1 Working on information available up to October 2003, the Centre revised their 03/04 income target down by £34,100 from £698,470 to £664,370. The revision was based on the financial position at the half year point, projected forward to take account of factors which it was felt were likely to affect income and expenditure during the rest of the year.
- 2.2 However in the closing months of the year, the financial position worsened dramatically resulting in a final figure of £618,100 which was £46,000 short of the revised target and £80,000 behind the original budget. However savings of £22,000 reduced the year end position to a £24,000 shortfall which was reported and, given the overall budgets for the Health & Leisure Centres, the loss at that stage was not seen as significant. No account of the factors central to the increase in net deficit were taken account of in base budget for 2004/05.
- 2.3 However some of those factors have continued to affect income while the situation has been worsened by the effects of the planned closure for major refurbishment.
- 2.4 This has led to a projected shortfall of income against target for the current year of £91,000.
- 2.5 The projected shortfall in income includes the following significant variations.
  - 2.5.1 **A.T.P.** (£16,000) – The original business plan included projected income from a 5-a-side league which has not transpired. Despite working closely with the F.A. and private sector organizations increased local competition has proved to be too strong.
  - 2.5.2 **Health & Fitness** (£13,000) – Prior to the major refurbishment there was a significant reduction in use of the fitness studio, which was not anticipated. The sub-standard Aerobics/ Dance studio has further affected income from fitness and aerobics classes.

- 2.5.3 **Swimming Courses** (£12,000) – Although the projected loss of income arising from the pool closure included some course income it now transpires that the last set of courses prior to the pool closure will be only 6 weeks instead of the usual 12 weeks resulting in a loss of income of £12,000. This was not taken account of in the projected loss of income arising from the pool closure
- 2.5.4 **Swimming General** (£8,000) – Although a traditionally strong activity area at Ringwood the deteriorating condition of the changing rooms and the impending pool closure have led to a fall of usage much earlier than could have been anticipated.
- 2.5.5. **Sunbeds** (£6,000) – This is the continuing effect of the downturn in sunbed use in 2004/05.
- 2.5.6 **Fitness Sales Income** (£22,000) – Following negotiations in 2003/04 with a number of private sector sales companies, a partnership was set up which it was anticipated would generate £39,000 of additional sales at each site and salaries budgets were increased to ensure that the additional members could be managed effectively.
- Unfortunately the Partnerships were not successful in generating the additional sales and it is up to the Health & Leisure Centres to achieve this themselves. Given the gym closure for part of the year and the business plan targets for 2004/05 the Centre is only likely to achieve an additional increase of £17,000 of the £39,000 target.
- 2.5.7 **Other Factors** (£9,000) – The ongoing deterioration in the quality of the facilities, the impending closure and all of the associated disruption has had a negative effect on other activities such as dry courses, party bookings and Centre memberships which were not anticipated.
- 2.5.8 **Expenditure** – The shortfall in income will be to a small extent mitigated by savings on some expenditure budgets of £20,000. These are mainly instructor and attendant costs associated with the general reduction in activity prior to the Centre Closure.
- 2.6 The cumulative effect of these variations to income and expenditure is a projected increase in the net operating deficit of £66,000.

### 3. TOTTON HEALTH & LEISURE

- 3.1 Working on information available up to October 2003 the Centre revised their 03/04 income target down by £54,000 from £838,510 to £784,510 The revision was based on the shortfall at the half year point, projected forward to take account of factors which it was felt were likely to affect income during the rest of the year.
- 3.2 However in the closing months of the year, the financial position worsened dramatically resulting in a final figure of £757,060 which was £27,450 short of the revised target and £81,450 behind the original budget. No account of the factors central to the increase in net deficit were taken account of in base budget for 2004/05.

- 3.3 However some of these factors have continued to affect income. The current shortfall in income includes the following significant variations:
- 3.3.1 Health & Fitness (£18,000) – The Centre has a target of £39,000 as an outcome from the Health & Fitness Strategy. The majority of this income was to be generated through the employment of a Sales and Membership Advisor. However the Centre has encountered recruitment problems and the post was not filled until September thus affecting income generated.
- 3.3.2 Gym Tots (£4,000) – The changes to the College’s exam schedule has severely restricted the availability of the Sports Hall during the day time and this programme has suffered as a consequence. The situation is unlikely to change in the foreseeable future.
- 3.3.3 Swimming (£6,000) – There has been an unexpected fall in casual swimming numbers notably amongst adults. This now appears to be a trend which is likely to continue.
- 3.3.4 Expenditure – Failure to recruit to the Sales and Membership Advisor post will mean a saving of £7,000.
- 3.4 The cumulative effect of these variations to income and expenditure is a projected increase in the net operating deficit of £21,000.

#### **4. PROJECTED POSITION FOR 2005/06**

- 4.1 A number of the factors which have affected income at Ringwood and Totton in the current year will continue into 2005/06 although the effect of the Ringwood closure will be for one year only.
- 4.2 In addition the re-opening of the newly refurbished Centre at Ringwood and the full year effect of the Sales & Membership advisor will further reduce the ongoing affect on income in 2005/06.
- 4.3 No allowance was made in the 2005/06 budgets for the effect of the Duty Manager and Assistant Manager re-gradings which have taken place under the Council’s job evaluation scheme.
- 4.4 A bid for £53,000 in respect of an increase in the Health & Leisure Centres net operating deficit has been submitted as part of the Leisure Expenditure Plan proposals for 2005/06.
- 4.5 The bid is made up of the following elements:
- 4.5.1 **Ringwood Health & Leisure Centre**
- Artificial Turf Pitch (£16,000)
  - Swimming (£4,000)
  - Sunbeds (£6,000)
  - Stock for resale (£5,000)
  - Other factors (£4,000)
- 4.5.2 **Totton Health & Leisure Centre**
- Gym Tots (£4,000)
  - Swimming (£6,000)
- 4.5.3 **All Centres**
- Post Re-gradings (£8,000)

## **6. FINANCIAL IMPLICATIONS**

6.1 The financial implications are as previously stated in this report.

## **7. CRIME AND DISORDER IMPLICATIONS**

7.1 There are no crime and disorder implications.

## **8. ENVIRONMENTAL IMPLICATIONS**

8.1 There are no environmental implications.

## **9. RECOMMENDATION**

9.1 It is recommended that Cabinet:-

- (i) Approve a supplementary estimate of £87,000 for the current financial year 2004/05; and
- (ii) Agree that an expenditure plan bid of £53,000 be made for 2005/06 in respect of an increase in net operating costs for the Health and Leisure Centres.

### **For Further Information:**

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### **Background Papers:**