



Agenda Item Introduction

ISLE OF WIGHT COUNCIL

Committee **CORPORATE SCRUTINY COMMITTEE**

Date **16 JULY 2024**

Topic **LEISURE CENTRES**

Background

1. In January 2023 the committee were advised that a review was ongoing regarding the Isle of Wight Council run Leisure Centres. The committee requested that once the review was completed it should be presented to the committee.
2. In the Budget & Council Tax Setting 2023/24 & Future Years Forecasts report for Cabinet in February 2023, it stated that there were substantial income losses being experienced in the Council's Leisure Centres of £1m, which was a legacy effect of the Covid pandemic.
3. In the Budget & Council Tax Setting 2024/25 & Future Years Forecasts report for Cabinet in February 2024, it stated that significant reliance was still being placed on the Covid Contingency to manage current and future budget pressures and risks associated, with Adult Social Care in particular, but also for the Leisure Service.
4. At the Corporate Scrutiny meeting on 7 May 2024 the Service Director for Community, Regeneration and Economy advised that the data they were reviewing was very encouraging and that income was back to pre-covid levels. The biggest issue was the cost of utilities, but a grant of £500k from Sport England had been awarded.

Focus for Scrutiny

- What are the forecasted costs of utilities at the leisure centres for the next financial year?
- What is the social value of the leisure service to the wider community, through improved health, reduced crime, increased educational attainment and improved life satisfaction?

- What is the current trajectory of income and expenditure growth that the leisure centres, should, by the end 2024/25 achieve?
- What positive developments to the leisure centres have been implemented, or scheduled to be implemented in 2024/25?
- What are the risks and challenges the leisure service faces in 2024/25?

Document(s) Attached

5. Scrutiny Report – Leisure Centres update
6. Appendix 1 - Financial performance over time

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Scrutiny Report

ISLE OF WIGHT COUNCIL

Meeting	CORPORATE SCRUTINY COMMITTEE
Date	16 JULY 2024
Title	LEISURE CENTRES UPDATE
Report of	CABINET MEMBER FOR ECONOMY, REGENERATION, CULTURE AND LEISURE

Executive Summary

1. The Corporate Scrutiny Committee has requested an update on the performance of the Leisure Facilities under Council Control. Verbal updates have been made on an ongoing basis to informal cabinet and committee since, Covid to monitor the recovery of Leisure and financial information was provided to all councillors as part of the annual budget approval process.
2. Prior to Covid, Leisure Facilities operated a £117k surplus. After Covid, Leisure services across the county were hit by falling income and rising energy prices. In 2022/23 this resulted in a deficit to the Isle of Wight Council of £653K for leisure provision which was funded from the Covid Contingency fund.
3. In the last financial year, the team have worked hard to reduce this deficit, resulting in a £29k deficit in 2023/24. Income has now fully recovered; however, the main pressure is from the cost of utilities.
4. Pre Covid utilities were £155k per annum, last year they were £711k. During 2023/24 the Leisure team were successful in gaining a Sport England Grant of £500k to temporarily reduce this pressure.
5. In 2024/25 the forecasting for the Leisure service is a £298k deficit. However, income continues to rise, and the level of utilities continues to reduce.
6. In addition, the benefits of the Salix carbon reduction grants work of £1.2 million and the recent Sports England capital bids for energy conservation works have yet to be realised. It is hoped that consumption will be reduced and therefore the budget pressure.

Recommendation

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| 7. To continue to monitor and support the recovery of the Leisure facilities to ensure they are once again revenue surplus. |
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Background

8. In 2005/06 the subsidy for leisure services peaked at £1.62 million. By 2019 leisure services operated at a surplus of £117k with annual One Card Income being over £2million. During that period leisure had around 700,000 users per annum across the three leisure facilities.
9. Memberships increased by 56 percent in a four-year period. The leisure service was shortlisted nationally for Best Council Service in the 2019 MJ awards.
10. The Covid-19 epidemic and the closure of leisure centres around the country caused considerable losses to leisure Income streams. During the closures leisure staff worked in the community to support the Covid plans. In addition, increases in utility costs - of around 500% for Gas and 300% for electricity - have had a considerable impact on leisure. Particularly those facilities with large scale swimming pool complexes.
11. The cost-of-living crisis means it is difficult to raise additional income through price increases. However, we have shown significant recovery last financial year with a complete recovery in both income and membership numbers.
12. The provision of leisure services is not a statutory function. However, there are clear benefits to the Island community of providing good quality sports and leisure facilities particularly in supporting the achievement of health and wellbeing outcomes. Such examples include the successful GP referral scheme.

Findings

13. The update provided indicates a significant recovery in the number of memberships and casual users across the three facility sites. Additionally, there has been a significant reduction in utility costs over this last financial year.
14. The update provides information on the current financial position (as of the end of March 2024), and a forecast for 2024/25.
15. In summary the financial position of the leisure service has changed significantly both in terms of utility costs and income. The attached spreadsheet, Appendix 1, shows the position over time since Covid.
16. The following are the key points to note.
 - 2018/19 (pre-Covid) budget and outturn figure - **£117k** surplus
 - 2022/23 budget and outturn figure - **£653k** deficit (before Covid contingency support)
 - 2023/24 budget and outturn figure – **£29k** deficit (includes 500k grant)
 - 2024/25 budget and estimated forecast outturn figure is currently set as **£298k** deficit.

- Income in 2024/25 has now exceeded pre-covid level and continues to rise.
- Membership numbers have returned to their pre-covid levels at around **7,500**, and the other significant income lines such as swimming lessons have now been reestablished.
- Usage has also been re-established with usage in 2023/24 back up at around **750,000**.

Income Increases

17. A proposed 10 percent in fees has been implemented in 2024/25 for all casual use activities.
18. A 6.2 percent inflationary increase was implemented in 2024/25 for all new One Card members.
19. Earlier work indicated that with a suitably resourced Sales and Marketing team (now in place) and based on the current market research it would be possible to achieve a growth of 1,200 members between 01.04.23 and 31.03.25.

Utilities

20. The increase in the utility budgets in 2023/24 are likely to be restricted to that financial period. The Leisure team were successful at gaining £500k to cover the cost of these increases, through a Sport England Grant, for this financial year.
21. Further work is underway to estimate 2024/25 utility costs, but early indications are that these costs are likely to be significantly less than 2023/24. This could in turn lead to a further reduction in the overspend on the projected budget for 2024/25. This figure will need to reduce or will have to be covered by increased income, so regular monitoring of the position throughout 2024/25 will be key as will membership sales and marketing campaigns.

Staffing

22. A service redesign took place in 2021 with the aim of reducing staff costs because of the covid pandemic and the large reductions in usage during that period. This resulted in the loss of 6.8FTEs and a budget reduction of £175k – accordingly operational staffing levels were reduced to a minimum.
23. Given the forecasts growth in usage of the three facilities there is no scope for cost savings in this area forecast for the 2024/25 budget.
24. Additional sales and marketing staff have been employed to promote the leisure centres and in particular the One Card, therefore increasing the membership numbers and income. This is within the existing Sales and Marketing budget.
25. It will also be necessary to utilise existing staff to work additional hours as sales of memberships increase, this will ensure that the three gyms are always operated safely and efficiently. Whilst this will result in an overspend against the staff budget, the additional income will more than compensate for this.

Appendices Attached

26. Appendix 1 - Financial performance over time

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