

The Highland Council
Education, Culture and Sport Committee
12 March 2009

Agenda Item	8
Report No	ECS 11/09

Inverness Leisure Business Plan 2009/10 – 2011/12

Report by Director of Education, Culture and Sport

Summary

This report asks Members to consider the business plan and management fee for Inverness Leisure and to provide part of next year's management fee in advance for cash-flow reasons related to the fire insurance claim. The provision of leisure facilities contributes to Strengthening the Highlands, The Programme of The Highland Council 2009-2011 objective 1.10 "Continue to provide opportunities to enjoy the arts, sport and cultural experiences...."

1. Background

- 1.1 At its meeting held on 15 January 2009, the Education, Culture and Sport Committee, on considering report ECS -6-09 members agreed: that officers continue to carry out the preparatory work for a further three year agreement with Inverness Leisure, based on a refreshed business plan for the facility and which will include reviewing the management fee.
- 1.2 At its meeting held on 12 February, 2009, the Highland Council agreed an additional allocation of £100K to Inverness Leisure in advance of its business plan for 2009/10-2012/13 being formally agreed.
- 1.3 Inverness Leisure, at its board meeting held on 13 February 2009, agreed a revised business plan. The business plan identifies that an increase in the management fee of £141K from £0.9M to £1.041M is required to operate the facility for the coming financial year with projected increases in future years.

2. Business Plan and Management Fee - 2009/10

- 2.1 Inverness Leisure has been funded at a level of £0.9M for the past six years. During the current financial year it has become clear that the management fee can no longer be maintained at this level for a number of reasons including: energy costs; staff costs; and the cost of meeting the needs of a growing customer base.
- 2.2 Since the introduction of High Life the customer base has grown from 630,000 to 804,000 annual users. This represents a significant increase in service provision and it is on this basis that it is recommended that the management fee be increased.
- 2.3 The management fee increase has been kept to a minimum through a focus, in the business plan, on: increasing customer numbers; increasing secondary spend (e.g. vending income) and reducing costs. During negotiations with Inverness Leisure, officers have discussed reviewing non front-line staffing to reduce the management fee from the £1.041M requested to £1M. Inverness Leisure management has confirmed that the facility can be operated for a management fee of £1M.

3. Management Fee - 2010/11 and Future Years

- 3.1 The original reason for fixing the management fee at £0.9M was to allow Inverness Leisure to establish itself on a sound financial basis. Having done this and recognising that it has to be increased in 2009/10 following a significant increase in customer numbers, it is proposed that the management fee in future years take account of inflation. This will allow Inverness Leisure to plan its service delivery and will also set in place budget increases which should be manageable by the Council.

4. Insurance Claim

- 4.1 As Members will be aware, there was a fire in an electrical panel in one of the plant rooms in Inverness Leisure last year. Initially both pools were closed with the competition pool re-opening soon after. The leisure pool is due to re-open during March.
- 4.2 Following the partial closure of Inverness Leisure, the Council will be calculating a reduced management fee for 2008/09 based on reduced customer numbers. This will be done at the end of the financial year once actual customer numbers are known. Taking this approach will allow Inverness Leisure to manage its cash flow, reclaiming lost management fee income through its business interruption insurance.
- 4.3 The Council has insurance cover for the building and Inverness Leisure has business interruption insurance. Both insurances will mitigate the financial effects of the fire. The timing of the insurance receipts created a cashflow issue which meant that Inverness Leisure was likely to exceed its overdraft limit. In order to avoid this, the Chief Executive, using delegated authority, has agreed to pay £185K of the 2009/10 management fee in advance. There will be no impact on the ECS budget outturn as it will be treated as an advance of the 2009/10 Management Fee with an accrual being processed accordingly.

5. Resource Implications

- 5.1 The Council has allowed for a £100K increase in the Inverness Leisure Management fee as part of its budget setting process for 2009/10. It is proposed that future increases in the management fee will take account of the impact of inflation and this should, therefore, be manageable for the Council.

6. Equalities Impact Assessment

- 6.1 There are no service changes proposed in this report so an equalities impact assessment is not required.

7. Strategic Environmental Assessment

- 7.1 This report is concerned with funding an external organisation so an environmental assessment is not required. However, Inverness Leisure is taking a systematic approach to energy use reduction using the services of a specialist energy consultant.

8. Recommendation

8.1 The Committee is invited to agree:-

- i.** to endorse the principle of the revised Inverness Leisure Business Plan for 2009/10-2011/12 as detailed in the report;
- ii.** to homologate the decision for the early release of £185,000 of the management fee for 2009/10 to allow Inverness Leisure to continue to operate until the fire insurance payments are made;
- iii.** that the management fee be set at £1M for financial year 2009/10; and
- iv.** that, in future years, account be taken of the impact of inflation.

Signature:

Designation: Director of Education, Culture and Sport

Date: 25 February 2009

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Ref: HF/IM/DW