

QUARTERLY UPDATE REPORT

January to March 2023



INTRODUCTION

This report is a quarterly update covering the period 1 January 2023 to 31 March 2023.

The report includes summary financial reporting, an update on key objectives identified in the Annual Service Delivery Plan and key performance information from the Trust's balanced scorecard.

Qualitative operational performance is recorded through the CEO Standards reporting.

The report also includes brief reporting on highlights and issues arising not covered by the rest of the report.

The report is intended to offer a transparent high level overview of the Trust's performance to the reader and is not intended for onward transmission or publication to anyone outside the agreed circulation below without express permission of the Chief Executive of the Trust.

Circulation:

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Trust Board
Leader of the Council
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FINANCE

The financial reporting in this quarter relates to the cumulative period from 1 April 2022 to 31 March 2023 and, therefore, represents the year end management accounts subject to formal audit.

2022/23 – Q4 Headlines

- The forecast budget deficit for 2022/23 was £584,400 which incorporated an expected claim against the Council under the utilities tariff agreement of £280,000. The actual year end deficit was £134,249, a favourable variance to target of £450,151.
- Total income in 2022/23 was £8.826m with expenditure totalling £8.961m leading to the year end deficit shown above.
- The 2022/23 budget was prepared before the exponential increases in utility costs as a consequence of global geopolitical issues and the actual overspend in gas and electricity beyond the forecast £280,000 totalled a further £742,700. This was substantially offset by an agreement with the Council to suspend the utility tariff agreement and pay a Service Fee of £700,000. The Trust further offset any claim against the Council by levying an energy surcharge of £1 on every casual swim from mid-July 2023, raising an additional unprofiled £157,400.
- Income across the Trust excluding the unplanned Service Fee and energy surcharge on swimming was above profile by £473,000. This comprised most notable overachievement in casual swimming and courses whilst golf and health and fitness incomes were below profile.
- Other cost pressures due primarily to high inflation resulted in an overspend of £137,000, most notably from staffing, related to the increases in course attendances.

2023/24 Budget Headlines

- The 2023/24 budget was approved by the Board in March and the bottom line forecast is a deficit of £245,900. This includes allowance for a Service Fee from the Council of £750,000 in lieu of forecast ongoing exponential utility costs above CPI. The Council and Trust has agreed to continue the suspension of the tariff protection clauses in favour of a Service Fee and an agreed, worked example of how the fee may be adjusted to reflect actual costs. The Trust continues to levy a £1 energy surcharge on every casual swim at a forecast income of £240,000 in a full year.
- Pay inflation is the other significant factor in expenditure terms within the budget. The 9.7% increase in the National Living Wage/National Minimum Wage impacts many casual and seasonal workers at the Trust and the lower permanent pay scales which were 'overtaken' by these increases were awarded pay increases of between 5.6% and 7.6%. Recruitment and retention remains a significant issue with staff turnover at 30% for 2022/23. Other staff at the Trust were awarded a 5% pay increase.

- Whilst a Service Fee is in place in lieu of utility costs the 'core' Service Fee remains zero sum with longstop arrangements in the Management Agreement invoked for a 12 month period. This has been mutually agreed subject to the Tonbridge Town Centre review and the potential implications of the Angel Centre and Borough Elections to be held in May 2023.
- The ongoing lack of investment in the Angel Centre renders it the only facility within the trust's portfolio to operate at a deficit and the forecast deficit of £265,500 is higher than the overall forecast deficit.
- It is the view of the Trust that without investment in the Angel Centre and due to general inflation in pay and other costs it is unlikely, regardless of energy costs that the Trust will be able to operate at a zero sum in the foreseeable future.

BUSINESS PLANNING

Two Year Business Plan (April 2023 – March 2025)

The Trust has historically produced a Five Year Business Plan approved by the Trust Board and the Council in response to the requirement of the Management Agreement. The Plan is a strategic document that highlights the Vision, Mission and Values of the Trust and identifies Key Priorities. The Plan contains market and financial analyses, identifies future opportunities and a forward financial plan. Other key issues and capital development opportunities are also contained in the Plan.

The last Five Year Plan expired on 31 March 2022 and it was mutually agreed that the core focus of the Council and the Trust at that point was business recovery from the global pandemic and the impact of energy prices.

However, as the Trust's recovery journey gathered strength it was felt by all parties that it would be prudent to publish a new Plan for a shortened two year period.

The strategic Two Year Business Plan was approved by the Trust and the Council in similar format and is designed to see through the current period whilst key issues impacting on the Trust including energy prices, Borough Elections, the future of the Angel Centre and negotiation of a new Service Fee are progressed and resolved.

Annual Service Delivery Plan (ASDP)

Publication of an ASDP is also a requirement of the Management Agreement that was suspended during the pandemic but was reintroduced in 2022/23.

The ASDP is focused on key issues facing the Trust over the 12-month period. It should be noted that the key objectives are not arranged in any order of priority within the Plan.

Each quarter an ASDP update report is produced with a brief commentary on progress on each objective.

KEY PERFORMANCE INDICATORS

The Balanced Scorecard

In order to meet the monitoring requirements of the contract and ensure the Council's desired outcomes are achieved the ASDP also outlines a broad range of Key Performance Indicators. This is managed as a Balanced Scorecard with four interdependent perspectives (Finance, Customers, Operations, Staff) providing a single score of the overarching performance. This is currently monitored at Larkfield Leisure Centre, Angel Centre, Tonbridge Swimming Pool and Poult Wood. The Head Office function and Leybourne Lakes Country Park are not contained within the reporting.

Each KPI is weighted to reflect relative importance.

The target of a 75% score on the Balanced Scorecard when reached suggests that the overall health of the business is strong.

A consolidated Trust Balanced Scorecard and one for each of the four individual sites are produced.

A commentary on the Consolidated Report is outlined below;

- The overall Balanced Scorecard result for the Trust is 76.5%, above target of 75%.
- The overall score is significantly adversely impacted by the performance at Poult Wood which fell well below financial expectations as the extraordinary levels of income reached during the pandemic were not sustained. A considerable switch for casual green fees to membership offers a large part of the explanation and this needs to be carefully monitored from a financial and access perspective.
- Financial reporting is adjusted by site to reflect extraordinary costs in utilities by the mitigating effect of the Service Fee which is recorded in the Head Office management accounts.
- Financial performance reflects earlier commentary in this report with income and the bottom line outperforming expectation whilst expenditure is marginally overspent. Swimming and courses show performance well above target whilst golf and fitness are below profile. Staffing is a little overspent whilst utilities underspend matches target for gas and electricity but savings in water following a change of supplier and resolution of some longstanding leakage problems.
- In the customer perspective the Net Promoter Score which measures promoters of the facilities (scoring 9 and 10 out of ten) over detractors (scoring 0 to 6 out of 10) shows an average score of 55% compared to target of 50% and an industry benchmark of 38%. The Mystery Visitor Score average is just 0.8% below the 85% target. A couple of poor scores at Poult Wood, for which the Service is a little less well designed over the year contributes to this whilst Tonbridge Pool actually recorded a first ever 100% score in Q3. The service is managed by industry experts, Pro Insight.

- Membership of health and fitness, swim and spa and swim school are all significantly ahead of last year which was affected by the gradual recovery post-pandemic. Similarly total attendance was 44% ahead of the 2021/22 period affected by the business recovery. The overall attendance in 2022/23 was 1.191m which is 97% of the last full pre-pandemic year suggesting recovery in terms of attendance is close to complete.
- Electricity consumption was below pre-pandemic levels whilst gas consumption was 6% higher. This increase is primarily due to revised metering arrangements at Tonbridge Swimming Pool and a colder than average winter period.
- Health and safety audits are held biennially across the sites and the positive scores reflect the last audit held pre-pandemic. Display Energy Certification scores are lower than target across the entire portfolio measured against industry averages.
- The number of recorded accidents at each site is well below the target of 65 per 100,000 visitors. It should be noted that every accident, including very minor incidents are recorded and that RIDDOR compliance is 100%.
- Finally in the staff perspective an impressive level of 1.73% sickness against a tough target of 2% was achieved. This includes long and short term sickness and reflects positive absence management. Core training is disappointingly low and must be a feature of future campaign to ensure that all staff maintain this online training requirement up to date. The implementation of workforce management software will increase the ability to manage this issue.
- Permanent staff turnover was recorded at close to 30% with 50 leavers across the sites in the year. This coupled with high levels of casual staff turnover has been challenging across the sector, especially in food and beverage although the second half of the year saw turnover levels close to the 20% target.

QUALITY

The quality of performance at the sites has historically been evidenced through the National Quality Scheme for Sport and Leisure, Quest. The scheme is owned by Sport England and managed on their behalf by a contactor.

Prior to the pandemic the Trust was fully engaged with Quest and two sites, Larkfield Leisure Centre and Tonbridge Swimming Pool were amongst just 16 sites nationally to achieve the accolade of Outstanding.

However, the scheme has evolved radically during the pandemic and the Trust is now re-engaging on a starting from scratch basis in 2023/24. The Quest Stretch version of the scheme that led to an Outstanding outcome no longer exists.

In the interim the Trust has introduced a new internal quarterly quality check known as the CEO Standard which replicates part of the Quest process by an unannounced visit by the CE/DCE to walkover the site with the Centre Manager and inspect all customer facing operational aspects of the facility.

The report undertaken pre-pandemic will now be instituted quarterly in 2023/24. It is expected that Centre Managers, accountable for actions arising, will use the reports to drive continuous improvement at sites.

The scores from the CEO Standard will be incorporated in the Balanced Scorecard from 2023/24 with an upper target of 85%. Progress against identified issues will be managed through ongoing reports and operational meetings.

OTHER KEY ISSUES

Management Restructure

A report to the Trust Board in March outlined a proposal for restructuring the senior management of the Trust over the next 18 months given the Chief Executive's intention to retire in Summer 2024. The Board approved a phased approach to restructure that will see the appointment of a Deputy Chief Executive in Summer 2023 to succeed the outgoing Chief Executive allowing for an extended handover period and a seamless transition to a new Chief Executive. The restructure is proposed upon a cost neutral basis.

UKG Implementation

The Trust now employs in excess of 500 staff in permanent, casual, full and part time roles. Investment in a workforce management software system (UKG Kronos) was approved by the Board in 2022 and the first phase implementation which captures all core HR information is complete. The second phase dealing with time and attendance, and removing the need for time sheets, is under design and will be rolled out in Autumn 2023. Cost savings from the investment include improved absence management, accuracy of pay and rewards and significantly reduced administration costs

Gladstone Go

The Trust utilises Gladstone Leisure Management Software across all sites. The current version, Plus 2, is being superseded by Gladstone Go. Investment in the new software provides an enhanced online membership joining and bookings experience for the customer. The new reporting dashboards within the system also provide the Trust with improved management information in an easy, visible format. The migration to Gladstone Go occurred in late March and following training should be available to customers in the Summer. Upgrading to Gladstone Go will also resolve the issues of importing data to Sport England's Moving Communities platform. This is vital to access future Government funding.

Corporate Risk Register

The Trust is finalising a new Corporate Risk Register that identifies major corporate risk. Consisting of individual Risk Statements, each risk is outlined and quantified. Mitigating controls are identified with further risk reduction actions leading to a reduced residual risk. A Trustee has been designated as Risk Champion and each Risk Statement is 'owned' by an Executive Team Member and reviewed annually. The final outstanding Risk Statements will be approved by the Board in June 2023.

Reconnect

The Trust was granted £40,000 by the KCC Reconnect fund, post pandemic and has offered a very wide range of activities, aimed primarily to attract families and more deprived customers back to health and wellbeing activities.

SAMPLE