

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 17 JANUARY 2017

Title of report	LEISURE CENTRES – ALLOCATION OF FINANCIAL SURPLUS 2015/16
Key Decision	a) Financial No b) Community No
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Purpose of report	To advise members of the Council's leisure centres achieving a financial budget surplus in 2009/10, 2012/13 and 2015/16
Reason for Decision	To ensure compliance with the Council's Leisure Centre Local Agreement March 2003
Council Priorities	Value For Money
Implications:	
Financial/Staff	Contained within the report
Link to relevant CAT	N/A
Risk Management	N/A
Equalities Impact Screening	None discernable
Human Rights	None discernable
Transformational Government	Not applicable
Comments of Head of Paid Service	The report is satisfactory

Comments of Deputy Section 151 Officer	The report is satisfactory
Comments of Deputy Monitoring Officer	The report is satisfactory
Consultees	Corporate Leadership Team Trade Unions
Background papers	Executive Board report 28 May 2003 (exempt under Schedule 12a, Paragraph 3)
Recommendations	<p>THAT CABINET ;</p> <ul style="list-style-type: none"> - NOTE THE FINANCIAL SURPLUS ACHIEVED BY THE LEISURE CENTRES IN 2009/10, 2012/13 AND 2015/16 TOTALLING £43,875 - ALLOCATE AND FUND THE SURPLUS AS OUTLINED IN SECTION 6 AND AS FOLLOWS; - £13,101 IN 2009/10 SPLIT ON A 50/50 BASIS TO QUALIFYING LEISURE CENTRE EMPLOYEES AND TO LEISURE CENTRE INVESTMENT PROJECTS (RETROSPECTIVELY) - £1,418 IN 2012/13 SPLIT ON A 50/50 BASIS TO QUALIFYING LEISURE CENTRE EMPLOYEES AND TO LEISURE CENTRE INVESTMENT PROJECTS (RETROSPECTIVELY) - £29,356 IN 2015/16 SPLIT ON A 50/50 BASIS TO QUALIFYING LEISURE CENTRE EMPLOYEES AND TO LEISURE CENTRE INVESTMENT PROJECTS

1.0 BACKGROUND

- 1.1 In May 2003 the Councils Executive Board approved a revised Local Agreement of Terms and Conditions of Service for Leisure Centre (formerly termed Direct Leisure Services) employees. See Appendix 1 for a copy of this agreement.
- 1.2 The Direct Leisure Services (DLS) was formed in 1992 in response to Compulsory Competitive Tendering (CCT) legislation. The DLS (now Leisure Centres) manage Hermitage and Hood Park Leisure Centres and the Hermitage Recreation Ground facilities.
- 1.3 In establishing the DLS in 1992, a local agreement was reached with staff after lengthy negotiations with staff and trade unions. The Local Agreement was adopted following a ballot of all affected employees.

- 1.4 Essentially, the Local Agreement was introduced to ensure the DLS were 'competitive' and provided 'Best Value' to the Council. It was also to reflect the nature of the leisure operation being 7 days a week, 17 hours a day and 360 days per year.
- 1.5 Enshrined within the Local Agreement was a staff surplus share which in part provided a measure of compensation for a reduced set of terms and conditions and to drive and embed a performance culture within the service.
- 1.6 Following the introduction of the Single Status National agreement in 2002 the Local Agreement was reviewed and a revised agreement supported by staff was approved by the Councils Executive Board on 28 May 2003. This agreement is still in place today despite the removal of the terminology Direct Leisure Services.

2.0 SURPLUS SHARE SCHEME

- 2.1 The DLS generated and reported to the Councils Executive Board a financial surplus (within its agreed annual budget) every year from 1992 until 2005/06. Under the terms of the Local Agreement any financial surplus generated within the cost centre by the service will no less frequently than annually be referred to the Executive Board (now Cabinet) to determine what proportion of any surplus made, if any, is available for distribution to employees of the service (an agreed formulae is established for this distribution per employee based on hours worked, additions for weekend working and overtime, reductions for sickness and a bonus for 100% attendance.)
- 2.2 From 2006/07 there were three years of the Leisure Centres not operating within the annual budget and therefore running a deficit budget and as such no reports were taken through Cabinet as there was no surplus to consider.
- 2.3 In reviewing the financial out turn of the Leisure Centres for 2015/16 it was reported that the Leisure Service achieved a budget surplus of £29,356. This was not forecast as the service reported a year end forecast deficit of £6,412 at period 10. It is important to note that the surplus figure is the amount of surplus under the budgeted figure for Leisure Centres. Overall the Leisure Centres continue to benefit from a very large subsidy each year from the general fund of just under £800,000 per annum.
- 2.4 2015/16 was the first time a surplus budget had been reported in a number of years, however, in reviewing past out turns since 2005/06 two other instances have been found in 2009/10 of £13,101 and in 2012/13 of £1,418 both of which had not been reported to Cabinet for a consideration of allocating the surplus generated. In both years Period 11 financial statements were forecasting deficits, following Period 12 performance and end of year adjustments the position improved to a surplus. This was not highlighted and therefore not reported to Cabinet, this error now needs correcting through re-considering the circumstances of each year, this is outlined in section 4.0.
- 2.5 The 2015/16 surplus was contributed to in the last two months by the following;
 - **Swimming Income**
In P10, the predicted outturn for swimming across both sites was £755,564. However, the Swim Academy had significantly more members join in February and March than anticipated, and the actual outturn was £768,479, an increase of £12,915.

- **Hermitage Recreation Ground Income**
In P10, the predicted outturn for the 3G pitch was £39,000. However, the growth in our internal football leagues, and the securing of additional bookings from Coalville Town Football club meant the actual outturn was £42,918, an increase of £4,918.
- **Fitness Memberships**
In P10, the predicted outturn for fitness memberships across both sites was £971,198. However, whilst we anticipated membership levels would begin to plateau in February and March, they actually continued to slightly increase meaning the actual outturn was £972,402, an increase of £1,204.
- **Gas Consumption**
In P10, the predicted outturn for gas expenditure was £125,000, and this was based on estimated bills for December to March. However, the winter was considerably more mild than anticipated and the actual outturn was £110,808, £14,192 under budget.
- **Hermitage Recreation Ground Electricity Consumption**
In P10, the predicted outturn was £5,000. However, the remote switching on and off of the astroturf lights at the leisure centre meant responsiveness to usage increased significantly with the lights being turned on later and turned off earlier, and the actual outturn was £2,480, a reduction of £2,520.

3.0 ALLOCATION OF FINANCIAL SURPLUS

- 3.1 In previous years when allocating surplus's to staff a number of considerations have been made;
- the financial performance of the cost centre and the level of surplus declared
 - fair and adequate reward, sufficient to maintain high levels of motivation, morale, flexibility and attendance records
 - a balance with the need/opportunity for re-investment on non-recurring items to ensure the facilities are well maintained (in previous years part allocations of surplus have been made to re-investing in the facilities)
- 3.2 Since the last payment in 2005/06 there has been 7 out of 10 years where the Leisure Service did not achieve its budget target. In terms of cost to the council the cumulative sum over budget in these 10 years is £396,219 with an average deficit of £39,622 per year.

4.0 OPTIONS AVAILABLE

- 4.1 Previously there have been a range of options available for consideration each year;
- distribute the total sum to staff through the agreed formulae;
 - distribute a part payment to staff and allocate a sum to an investment project in the leisure centres, as occurred in previous payment years
 - allocate the whole of the sum to an investment project in the leisure centres
- 4.2 However, there is now an additional consideration which is to use any surplus sum to offset any leisure centre budget deficit incurred to the Council in previous years.

- 4.3 In considering which option to take it should be noted that between 1992 and 2005/06 the service never had a deficit making year and so there had never previously been a need to consider whether any surplus should be used to offset previous year's deficit. See table below;

Year	Surplus/deficit	Preceding years deficit	Difference
2009/10	£13,101	- £41,381	- £28,280
2012/13	£1,418	- £79,559	- £78,141
2015/16	£29,356	- £108,236	- £78,880

- 4.4 The Local Agreement at Section 10 states 'The Council will, no less frequently than annually, determine what proportion of any surplus made, if any, is available for distribution to employees of the Direct Leisure Services. As such it is for Cabinet to decide what proportion of the surplus should be made available for sharing amongst qualifying employees.

5.0 INITIAL PROPOSAL/FEEDBACK FROM TRADE UNIONS

- 5.1 Management initially proposed to use the budget surplus in each of the three years to offset the deficits made in the preceding years as per the table at 4.3. The Trade Union (Unison) response to this initial proposal can be seen at Appendix 2. Based on the feedback management have reconsidered this position and have made a revised proposal as outlined in section 6.

- 5.2 The revised proposal was circulated to Trade Unions for further comment and the response has been included at Appendix 3.

6.0 REVISED PROPOSAL

- 6.1 If the surpluses had been reported to Cabinet for the two years (2009/10 and 2012/13), it is likely that some of the surplus would have been allocated to investment projects. The following projects were funded by the General Fund in the following years;

2010/11 Hermitage Leisure Centre Dryside male and female changing room refurbishment costing £56,689

2013/14 Hood Park Leisure Centre pool changing room refurbishment costing £25,000, Hood Park Leisure Centre studio air conditioning costing £11,991 and fitness equipment across both leisure centres costing £60,986

- 6.2 In considering the surplus of £29,356 in 2015/16 the Council is currently investigating the potential for building a new sports and leisure centre in Coalville at an estimated cost of up to £20 million. To date the Council has allocated £150,000 to support the project and to inform a cabinet report in 2017. The service is also looking to improve the flexibility of Hood Park Leisure Centre bar lounge and improve the short term quality of the studio facility at Hermitage Leisure Centre.

- 6.3 It is recognised that the Local Agreement and the surplus share scheme has over the years saved the Council a significant financial sum on an annual basis and continues to do so. The scheme incentivises and rewards staff for focussing on customer care, customer retention, energy efficiency, attendance at work, working unsocial hours and taking care of the facilities. Generating a budget surplus is testimony to the hard work of employees in exceeding income targets and / or reducing expenditure.
- 6.4 It is therefore proposed to allocate the surplus in each year (2009/10, 2012/13 and 2015/16) on a 50/50 basis to qualifying employees (as per the agreed formula contained within the Local Agreement) and to leisure centre investment projects (retrospectively for 2009/10 and 2012/13).

Year	Surplus/deficit	50% Qualifying Employees	50% Investment Projects
2009/10	£13,101	£6,551	£6,550
2012/13	£1,418	£709	£709
2015/16	£29,356	£14,678	£14,678

- 6.5 The surplus share payments to qualifying employees and contribution to investment projects (2015/16 only) will be met from 2016/17 forecast underspends.
- 6.6 Employees that qualified for a payment in 2009/10 and 2012/13 but have now left the Council's employment will be contacted and retrospective payment arrangements made.
- 6.7 All future Leisure Centre budget positions will now be considered annually by Cabinet in accordance with the Local Agreement.
- 6.8 It should be noted that the Local Agreement is a term and condition of leisure centre employees and it will transfer under the Transfer of Undertakings for the Protection of Employees legislation (TUPE) if the Leisure Centre service is outsourced to a new management operator. It would then be for any potential new operator to consider how to work with the terms of the agreement.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

LOCAL AGREEMENT

DIRECT LEISURE SERVICES CONDITIONS OF SERVICE

MARCH 2003

This agreement replaces the appropriate paragraphs detailed below in the nationally agreed terms and conditions of service for Local Government Services and replaces any previous local agreements.

1. OVERTIME WORKING

Replaces Part 3, Section 2.3(a)

Overtime working will be aggregated over a calendar month and paid at plain time. Officers in receipt of a basic or all inclusive salary in excess of spinal column point 28 will remain excluded from overtime payments as previously detailed in the National Conditions of Service.

2. WEEKEND WORKING

Replaces Part 3, Section 2.3(b)

Weekend working will be paid at plain time basic rate.

3. BANK AND CONCESSIONARY HOLIDAYS

Replaces Part 3, Section 2.3(d)

For work on a bank holiday or a concessionary holiday, employees will receive their choice of either:

(a) Double time basic rate for all hours worked in full recompense.

OR (b) Plain time basic rate for all hours worked plus an equivalent number of hours as time off in lieu.

A schedule of Bank and concessionary holiday working will be agreed with management.

4. SHIFT WORKING, NIGHT WORK, IRREGULAR HOURS, SPLIT DUTY AND UNSOCIAL HOURS

Replaces Part 3, Section 2.3(c)

All the above working practices will be paid at plain time basic rate in full recompense.

5. RETURN TO WORK

Included within Part 3, section 2.3(f)

Designated key holders who are called upon to return to work, in accordance with Manual Employees' conditions Section 5(A) paragraph 7(a) and Section 5(A) paragraph 7(b) will qualify for a minimum payment as for two hours at plain basic rate.

6. ANNUAL LEAVE YEAR

The holiday year runs from 1 January to 31 December.

7. TRAINING

The Council will continue to encourage employees to seek further professional qualifications and pay approved expenditure in accordance with the agreed training policy. Time off work for attendance at such training courses will be negotiated.

8. WORK LOCATION

Wherever possible, employees will be expected to work at any contract location.

NOTE: It is not envisaged that staff will be frequently required to change work areas. Wherever possible, 24 hours notice will be given. Special dispensation may be given to individuals who would have severe transportation difficulties.

9. UNSOCIAL HOURS PAYMENT

An annual unsocial hour's payment of £250.00 (pro rata for part-time employees) will be paid to employees who meet one of the following criteria:

- (a) Staff who are contracted to work both Saturdays and Sundays every week.
- (b) Staff who are contracted to work changing shift times and days over a 7 day period, i.e. over a two, three, or four week rota the individual must work on each of the 7 days of the week, with varying start and finish times.
- (c) Staff who are contracted to work changeable shift times and days over a 7 day rota due to seasonal demands.

10. SURPLUS SHARE

The Council's Executive Board will, no less frequently than annually, determine what proportion of any surplus made, if any, is available for distribution to employees of the Direct Leisure Services.

The surplus will be distributed to all registered employees of the Direct Leisure Services employed under the terms of this Local Agreement on the day that any such surplus is declared by the Board in accordance with the following:

- (a) The operating period is the contract year.

- (b) Full time employees will be allocated an index of 100 (whether 37 hours or 36¼ hours).
- (c) Part time employees will be allocated an index pro rata to their full time equivalent. Casual employees will be allocated a pro rata based on the aggregated number of hours worked in the year divided by 52.
- (d) For every 4 complete hours lost through sickness or absence, after the loss of the equivalent of each individual's weekly contracted hours, one index point will be deducted. Employees subject to food handling regulations will lose one index point after the equivalent of 2 weeks' contracted hours. Deductions of index points due to sickness and absence will not reduce index points to less than 30% of the beginning year figure.
- (e) For every 10 hours additional overtime worked, (over and above contracted hours), one index point will be added. For every 10 hours worked at weekends - Saturdays or Sundays - one index point will be added.
- (f) The total index points of all qualifying employees will be divided into the total declared share of the surplus and distributed to employees in direct proportion to their index points.
- (g) A bonus of 10 index points will be allocated to anyone with a 100% attendance record throughout the full financial year.

11. ANNUALISED HOURS

- (a) Individual employees may be offered the opportunity to work under an annualised hour's scheme. Each may choose to retain their present number of contractual hours per week or to increase their hours by an agreed amount over the working year which will be paid at plain time.
- (b) The working year is from 1 January to 31 December.
- (c) Monthly pay will be calculated on the basis of annual hours divided by 12.
- (d) New employees who are contracted to work regular hours through the year will work a simple proportion based on the remaining working days in the year. New employees who work irregular hours would be allocated a mutually agreed number of hours for the remainder of the working year.
- (e) Employees who leave the service of the Council will be paid for hours worked above the level for which payment had been made on the annualised hour's basis. Hours not worked prior to leaving will be deducted from the final pay calculation.
- (f) Working upon an annualised hour's contract will not preclude individuals from paid overtime working above their contracted annual hours.
- (g) Those working upon an annualised hour's contract may not work in excess of 25% above their agreed weekly hours or less than 25% less than their agreed weekly hours except for holiday and sickness leave.

- (h) Pay rises will take effect on the nationally agreed date in direct proportion to the contracted days remaining in the contract year.
- (i) Seven days' notice must be given when a rostered shift is not to be worked.
- (j) Bank and concessionary holidays have not been included as working days.
- (k) At the contract year end, a balance of plus or minus 1% of the agreed annual hours can be carried forward to the next contract year. Excess hours worked above this level will be paid at plain time. Any shortage of hours (outside this level) other than refusal to work additional shifts will be written off.
- (l) An individual's agreed annualised hours may be reviewed after lengthy periods of sickness, 3 refusals to work additional shifts at 72 hours' notice or by mutual agreement.

This annual scheme may be reviewed by the Head of Sport & Leisure in consultation with staff and trade unions.