

Report of the Management Board & Financial Statements for Year Ended 31 March 2016

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REPORT OF THE MANAGEMENT BOARD
FOR THE YEAR ENDED 31 MARCH 2016

The Management Board present their report with the financial statements of the society for the year ended 31 March 2016.

OVERVIEW

With the merger to create Your Leisure continuing to produce the expected reduction in costs, we anticipate our operating surpluses to continue to grow allowing further investment in the facilities and services we currently operate. Our effective partnerships with Dover District Council (DDC) and Thanet District Council (TDC) has provided the opportunity to plan for the future with more certainty and to develop a longer-term business plan.

A recent independent 'strategic review' of our current business has highlighted significant opportunities for growth and the Management Board will be prioritising these to ensure the organisation continues to prosper and reduce its reliance on local government funding. Whilst the delivery of services on behalf of our local authority partners is the current basis of the business model it is essential to maintain and develop other income streams to improve our financial health and provide more community benefit by delivering our Charitable Objectives.

Balancing the implementation of a profitable and sustainable growth strategy with the need to continually improve the quality and performance of existing facilities and services presents four key challenges:

Surpluses continue to be invested 'in year' through our facility investment programme with repayments amounting to £648K for the last year and reducing our final operating surplus to £115,486 before accounting adjustments.

Our employees still remain our largest asset and their commitment and hard work have been crucial during this period of change whilst we review and harmonise both the cultures and working practices of the previous businesses. Customer service remains a high priority and additional resources have been put into the expansion of our Training and Staff Development Programme to ensure we continue to satisfy our IIP commitments and improve staff retention.

The economic constraints facing Local Government continues to bring challenges; however, the efficiencies provided by the merger now that initial costs have been absorbed will provide a more secure and efficient business model for the future.

STRUCTURE GOVERNANCE AND MANAGEMENT

Board Structure and Management

According to its rules, the Society shall have a management board which shall manage the business of the Society. The management board shall consist of up to 16 members, 8 employee representatives including the Managing Director and Deputy MD and 8 Independent Trustees who should be representative of the local community, users of the service and facilities offered by the Society and have a broad range of skills likely to contribute to the Society's success.

The full board of management met on 5 occasions during the course of the year to consider the business of the Society with executive management representatives and in addition there were 10 sub-committee meetings.

The day to day management of the Society is delegated to the Managing Director who reports to the management board.

Appointment of Board Members

In exercising its powers to nominate, appoint, reappoint, elect, re-elect, approve and dismiss members, the members shall seek to ensure that the board is representative of the local community and also comprises persons with a broad range of skills who are likely to contribute to the Society's success.

Board Members Induction and Training

As new members join the board they receive a full induction that is aimed at training them in their statutory responsibilities under charity and company law. This induction is reviewed regularly to ensure that it is up to date with any relevant changes. The induction would normally include:

- meeting with the chairman of the Management Board and Managing Director
- tour of our facilities and Head Office
- receiving copies of the Society rules
- receiving copies of business strategy documents
- receiving copies of corporate policies and documents

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STRUCTURE GOVERNANCE AND MANAGEMENT - continued

Organisation

The board members, who meet on average 6 times per year, have delegated the responsibility of administering the Society to the Managing Director and a Corporate Management Team (CMT). The management team meets regularly and is made up as follows:

Managing Director
Deputy Managing Director
Head of Finance
Head of Leisure Services
Head of Health & Safety and Asset Management
Head of Human Resources

Remuneration policy for key management personnel

The remuneration of key management personnel and company pay reviews are determined by a Remuneration Sub-committee with all members being Independent Trustees. Benchmarking against other trusts in Kent and SPORTA have been used as a comparison exercise.

OBJECTIVES AND ACTIVITIES

PRINCIPAL ACTIVITY

The principal activity of the Society in the year under review was that of the management of leisure, catering and entertainment facilities and the associated service provision for the local communities of Dover and Thanet. The society manages the following facilities and services on behalf of Dover District Council and Thanet District Council:

Thanet District

Ramsgate Leisure Centre & Spa
Hartsdown Leisure Centre
Gymnastics Centre
The Winter Gardens
Northdown House
Chalet and beach hut hire
Foreshore services
Sport pitch hire
The Theatre Royal, Margate (interim management agreement was further extended until October 2016)

Dover District

Dover Town Hall
Dover Leisure Centre
Tides Leisure Centre
Walmer Paddling Pool

Your Leisure Kent Ltd also owns and operates the Dover Sea Sports Centre and The Secret Jungle Project, manages the John Myers Sports Hall for Castle Community Science College and provides community outreach work across East Kent. It manages the Health & Wellbeing programme of the Big Lottery funded 'Ageless Thanet' Project for Social Enterprise Kent and provides several community programmes across Dover and Thanet aimed at improving the health and participation in physical activity of our local communities.

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Policies and Objectives

“The objects of the Society shall be to provide or assist in the provision of facilities in the interests of social welfare for recreation or other leisure time occupation in Kent and the surrounding area of individuals who have need of such facilities by reason of their youth, age, infirmity or disability, financial hardship or social circumstances, with the object of improving their conditions of life and to advance the education of the public in leisure activities

Vision

“Creating opportunities to enjoy life and have fun”

Mission

To improve the health, wellbeing and lifestyles of our local communities.

Work together to continually improve services and facilities so we become the first choice to ‘enjoy life and have fun’.

Corporate Values

Excel in customer service

“Do the right thing first time”

You are in safe hands

“Manage and reduce risk”

Value our colleagues

“Attract, develop and keep great people”

Make every penny count

“Bring about financial certainty”

Be charitable

“Provide opportunities in our communities”

Invest in our business

“Improve things for everyone”

Partnerships will make us stronger

“Collaboration will help us achieve our goals”

Lead through innovation

“Ideas and suggestions are essential”

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OBJECTIVES OF THE SOCIETY - continued

Charitable Objectives

Contribute to the reduction of health inequality through participation in physical activity by all age groups.

Assist in improving the well-being of the local community through access to high quality and educational leisure time experiences.

Ensure that people in poverty and other disadvantaged groups of the community are not excluded from using our facilities or participating in our services.

Help tackle childhood obesity and local activity levels through a comprehensive programme of sports and arts development and health activities for the whole community.

Assist in promoting and raising standards in sport and the arts through cooperation with a range of local amateur sports clubs and community based arts groups.

Contribute to reducing youth crime and anti-social behaviour by providing accessible, interesting and educational activities for young people.

Help local groups supporting disabled people and to improve opportunity to access our facilities and services.

Promote the role of "arts" in improving the wellbeing and lifestyle of the local community.

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Public benefit statement

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the trustees regularly consider how planned activities will contribute to the charitable aims and objectives they have set.

The Trustees confirm that they have complied with the duties in Section 17(5) of the Charities Act 2011 to have due regard to the Charity Commissions general guidance on public benefit.

The trustees acknowledge that the Charitable Company charges a fee for many of the services it provides. It is the opinion of the trustees however that the Charitable Company's pricing strategy, which enables increased access to sports facilities for a wide range of disadvantaged persons, including those on low incomes, coupled with the range of services that it provides for young people, the elderly and the disabled are such that the Charitable Company can demonstrate that it operates for the public benefit of the community that it serves.

Strategies for achieving objectives

- To increase admissions
- To increase the health promotion programme and participation in healthy activities
- To increase revenues to allow further investment in the facilities we operate across East Kent
- To reduce energy consumption and reduce our effect on the environment
- To improve customer and employee satisfaction

ACHIEVEMENT AND PERFORMANCE

RECOGNITION:

Your Leisure is proud to have the following recognition demonstrating our commitment to our sector and achieving quality in our delivery of services:

- (i) Investors in People
- (ii) QUEST – UK Quality Scheme for Sport and Leisure
- (iii) Clubmark – Quality accreditation for sports club programmes
- (iv) Shapemaster UK Toning Suite Operator of the Year
- (v) Affiliated to Sports and Recreation Trusts Association (Sporta)
- (vi) Membership of UK Active (formerly the Fitness Industry Association)
- (vii) Membership of British Institute of Theatre Technicians
- (viii) Active Member of Kent Association of Leisure Trusts (KALT)
- (ix) Isle of Thanet Licensed Victuallers Association

REVIEW OF BUSINESS

The results for the year and financial position of the Society are shown in the annexed financial statements.

The last year saw revenues continue to grow where we have been able to invest in the facilities available to the local communities we serve providing further evidence that investment in services and facilities are very important in achieving increased participation and improved health outcomes.

Fitness sales continue to expand, building a further 10% on the previous year and the decline in swimming seen last year has been reversed providing an increase of 5%. Food and Beverage operations continue to perform well and gross profits continue to improve. Revenues at the refurbished Ramsgate Leisure Centre continue to perform well and the Spa and Toning Suite achieved a 26% increase in usage and is expected to achieve maturity this year providing additional surpluses to cover annual repayment costs for the £4M refurbishment.

The Investment in fitness equipment across all 4 gyms has been well received resulting in an upturn in recent usage especially in the Dover area where there has been minimal investment over several years.

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REVIEW OF BUSINESS – continued

Our community engagement services continue to make a difference and the team has expanded due to the takeover of the Secret Jungle project, increased project funding and successfully becoming a lead partner in the Big Lottery funded 'Ageing Better' programme. Revenues related to this area of our business provide very low profit margins but do greatly contribute to the society's charitable objectives and Head Office overhead costs

Maintenance and repair costs continue to be high at some of our venues resulting in a 6% increase over last year with further investments increasing the annual Depreciation charge up a further 32%. Overall other expenditure continues to be well controlled with increases in marketing spend, non-recoverable VAT and utility costs attributable to increases in income.

Labour costs have risen due to the decision to increase lower Established staff rates of pay to ensure they are compliant with the National Living Wage being introduced in April 2016. These increases and future rises for the Minimum Wage/National Living Wage rates are likely to impact future targets if pay parity is to be maintained.

Excellent progress has been made with both our current Corporate Key Performance Indicators and those agreed with our 2 main partners as confirmed below:

KEY PERFORMANCE INDICATORS

| YL Objective | Actual 2014/15 | Actual 2015/16 | Target 2016/17 |
|---|-----------------------------------|-----------------------------------|--|
| Labour to Turnover % | 52.6% | 52.7% | 52% |
| Marketing/advertising to Turnover % | 4.3% | 3.2% | 4% |
| Vending 'cost of sales' | 71.6% | 62.0% | 70% |
| Food & Beverage 'cost of sales' | 31.3% | 30.4% | 30% |
| Membership Attrition Rate | 5.9% | 6.0% | 5% |
| Year on year % Facility/Service Sales Increase | 9.6% | 7.80% | 5% |
| Gross Profit on Entertainment Events | 17% | 17.5% | 20% |
| To maintain 'total indirect costs' on Budget | + 3.4% | +2% | Below budget by 1% |
| Year on year % Energy Reduction | Gas 2% down / Electricity 1% down | Gas 5% down / Electricity 2% down | Reduction in Gas 3% Electricity 3% |
| % Overall Customer Satisfaction *changed to Net Promoter Score in 2015 | 88% | *NPS 32 | *National Average 31 YL Target 40 by 2018 |

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KEY PERFORMANCE INDICATORS - continued

| Dover District Council KPI's | Actual 2014/15 | Actual 2015/16 | Agreed Target by March 2017 |
|--|-----------------------------------|------------------------------|------------------------------------|
| Number of projects delivered that include targeting women and young people | 12 | 16 | 10 |
| Number of children (5 - 14yrs) attending Leisure Centre holiday schemes/initiatives | 2,560 | 2155 | 1,200 pa |
| % of customers satisfied with visit to facility *changed to Netl Promoter Score in 2015 | 82% | *NPS 17 | *NPS 31 |
| Recorded accident ratio | 1:833 | 1:896 | 1:1000 |
| Subsidy per visit | 57.6p | 53.9p | 52p |
| Total number of customers accessing the gym or workout classes (excluding water based classes) | 146,901 | 154,039 | 150,000 |
| Total number of customers accessing the swimming pools (including water based classes) | 226,494 | 230,098 | 264,000 |
| Total number of customers visiting the Leisure Centres | 459,331 | 492,004 | 510,000 |
| Thanet District Council KPI's | Actual 2014/15 | Actual 2015/16 | Agreed Target by March 2017 |
| % of customers satisfied with visit to facility *changed to Net Promoter Score in 2015 | 88% | *NPS 38 | *NPS 31 |
| Recorded accident ratio | 1:1756 | 1:2164 | 1:2000 |
| Subsidy per visit to Leisure Centres | 87p | 86p | 82p |
| Total number of customers visiting the Leisure Centres | 557,348 | 563,382 | 615,000 |
| Maintain Quest (UK Quality Scheme) Accreditation for Leisure Facility Management at HLC & RLC | Accreditation Based on Quest 2014 | Accreditation Maintained | Maintain Accreditation |
| Margate Theatres Audiences at Entertainment Shows | 80,124 | 80,808 | 82,000 |
| Subsidy Per Visit to Winter Gardens and Margate Theatre Royal | £2.37 | £2.31 | £2.50 |
| Maintain IIP Accreditation | IIP Accreditation Maintained | IIP Accreditation Maintained | Maintain Accreditation |

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Reserves Policy

The management board have considered the risks and opportunities presented to the Society and identified the level of reserves it would be prudent to maintain. The board has determined that this level would be 5% of income and will continue to implement the 3-year financial plan to achieve this.

Risk management

The trustees have assessed the major risks to which the Charitable Company is exposed, in particular those related to the operations and finances of Your Leisure, and are satisfied that systems and procedures are in place to mitigate the exposure to the major risks.

The Risk Register is regularly reviewed by the Risk Audit Sub-committee

DISABLED PERSONS

The Society's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career within the Society. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

EMPLOYEE INVOLVEMENT

The Society has a policy of providing employees with information about the Society through staff meetings, on-line Staff Bulletins and the posting of updates on the staff information boards. Any contracted member of staff who has successfully passed their probationary period can become a Society member. This enables those members of staff who wish to become more involved in the running of the organisation to stand for election onto the management board. Once elected, these members of staff have a direct involvement in the running of the Society.

All facilities provide a staff representative to sit on the Joint Staff Consultative Committee (JSCC) which is a forum for management and staff to discuss health & safety and employment matters.

FUTURE DEVELOPMENTS

Dover District Council having now completed the independent 'Strategic Needs Analysis' and new Indoor Sports Facility Strategy are moving forward with the provision of a new Leisure Centre for Dover which it is hoped will provide new and exciting opportunities for Your Leisure.

Our proposed investment at Tides Leisure Centre for a new gym, dance studios and Toning Suite has been on hold until the strategy was completed. The required investment is now included as a recommendation which should allow us to proceed with this project over the next 12 months.

The Society has agreed a further extension to the initial management contract for the operation of the Theatre Royal in Margate and a market testing process to achieve a longer term sustainable future for the theatre is expected to take place during the summer of 2016. Your Leisure continues to work with Thanet District Council on securing funding for the capital investment required at both venues to guarantee their futures and reduce their need for public subsidy. An independent Review is expected to include this work as the condition of the Winter Gardens continues to deteriorate.

A review of our Staffing Establishment and pay grade will take place so we can accommodate the National Living Wage increases whilst retaining pay parity where possible. The development and retention of our highly valued workforce will be a key priority over the next few years and improvements are planned for our company Training Plan and Apprenticeship Provision

The Community Team continue to be successful with funding applications for the community outreach work and this year several projects come up for funding renewals and it will be a key priority to obtaining external funding for these much needed and highly valued community projects. The 'Health and Wellbeing' improvements required for the local people of East Kent will continue to be focus over the forthcoming year and beyond

The Management Board and Management Team have jointly produced range of Priorities that intend to prioritise and provide guidance for the Organisation on the 'opportunities' highlighted in last year's strategic review and Annual Planning Day. These will also provide an emphasis on the importance of continuing to deliver our charitable objectives and ensure the organisation maximises financial benefit and increases surpluses which can be used to build up the Society's reserves and contribute to further facility refurbishment.