

# **NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

## **Report to Scrutiny**

**02 December 2019**

**Report Title:**           Operation and Marketing of Jubilee2

**Submitted by:**       Executive Director Operational Services

**Portfolios:**           Leisure and Culture

**Ward(s) affected:**   All

### **Purpose of the Report**

The report sets out the current operational issues at Jubilee2 and their impact on the centres' performance. Its purpose is to update Scrutiny on these issues along with marketing and other initiatives to manage risks identified.

### **Recommendation**

That scrutiny provides constructive challenge to the approach set out to drive improvement in the service.

### **Reasons**

Accountability for an environment where responsibility for services and decisions is clear and where those holding responsibility are answerable for future successes or failure of the service area.

### **1. Background**

- 1.1 At your meeting of 19 June 2019 a request was made for Officers to provide a report to the Committee on the operation and marketing. This report sets out a number of current issues affecting the operation of the facility and a range of actions that are being taken to improve operational performance.
- 1.2 There are in the region of 3,000 members at Jubilee2 (J2), who along with pay and play customers drive significant footfall to the centre on a daily basis. The extensive facilities include: a competitive swimming pool; a studio pool with a moveable floor; a 14m high climbing wall and a 4m bouldering wall; a one-hundred station fitness centre; three studios; and changing and ancillary accommodation. An innovative activity programme is offered ensuring that the facility has a broad appeal to the residents, visitors and those working and studying in the Borough
- 1.3 Jubilee2 was developed to replace the ageing facilities at the Jubilee Baths and Knutton Recreation Centre. The capital investment of £10.5m produced a saving of £0.5m a year in revenue as the centre recovered its operating costs. The approved business model was based on market conditions at the time the centre was being developed and opened (2012). Since that time the health and fitness market has matured and changed significantly. National chains and proprietary owned boutique operators now account for a significant share of the local market.
- 1.4 Unfortunately a number of latent building defects have had an adverse effect on the operation and customer experience. These relate specifically to leaks from the Aqua Sauna affecting the changing village below and the quality of finish of the roof which is the cause of ongoing leaks on the main stair case.
- 1.5 These building defects have detracted from the quality of the facility having a negative effect on membership sales, income and incur additional expenditure.

- 1.6 Having recognised the impact of this on customers and performance at J2, this report identifies a number of initiatives that the service are seeking to progress to improve revenue performance, while supporting the process to address the outstanding building defects.

## 2. **Issues**

- 2.1 Due to the issues above the overall subsidy for Jubilee2 in recent years has exceed that budgeted. Subsequently an action plan has been prepared to identify opportunities to drive additional income and reduce expenditure. The actions and progress are summarised below in relation to the following areas.

- Improved Sales and Marketing
- Gym Refurbishment
- Reinstatement of the Aqua Sauna
- Generation of Advertising Income
- Climbing wall redevelopment
- Improved collection of direct debits
- Review and early implementation of new scale of fees and charges.

- 2.2 In addition to exploring new initiatives to drive income Officers are also implementing measures to reduce expenditure which include the following:

- Improved absenteeism management
- Improved energy management based on energy audit findings
- Installation of on-site chlorine generation from salt
- Replacement pool filter media, changing from sand to glass

### 2.3 Improved Sales and Marketing

In 2018 the marketing audit identified improvements in marketing and branding to attract and retain new customers. Subsequently Alliance Leisure was appointed in September 2019 to support marketing activities. Their support involves social media campaigns, the development of an annual marketing and retention plan, mystery shopping visits, staff training and support for commercial development. The contract with Alliance Leisure is to jointly deliver 15% growth in membership by September 2021, with a resultant increase in income to the Council of £45,000 per year.

### 2.4 Replacement of fitness equipment

The fitness suite at Jubilee2 currently consists of 100 pieces of fitness equipment which was installed as part of the original fit out of Jubilee2 in 2011. This layout was designed at the time to meet customer expectation following input from leading industry providers it has become apparent that there are opportunities, to provide a more diverse fitness offer, improve membership satisfaction, utilise the floor space to its maximum potential, and provide a commercial opportunity to increase membership up-take and retention.

The existing fitness equipment is now eight years old and is now coming towards the end of its useful life. This is therefore leading to the equipment breaking down more frequently and sometimes for a sustained period of time which has a negative impact on the customer's experience

A customer consultation exercise completed identified there is the need to incorporate functional, training, personal training, and small exercise classes into the gym.

Using the UK Leisure Framework an access agreement has been entered into with Alliance Leisure to provide advice on the optimum layout of the gym to drive revenue. The gym refurbishment is to be completed in April 2020 and will support additional membership sales.

### 2.5 Reinstatement of the Aqua Sauna

The Aqua Sauna had been leaking into the changing village below for a number of years. On the 13th May following Council investigations the Aqua Sauna was closed and subsequently stripped out to identify the full extent of the problem and any potential damage to that area of the building.

Following customer consultation professional advisors appointed to redesign the layout of the Aqua Sauna. The main contractor has been engaged with, made aware of the issues and are developing

their proposal to redevelop the Aqua Sauna. The Contractor's proposals to rectify the Aqua Sauna are anticipated in November 2019. Subject to the Council's agreement and financing of the scheme works are anticipated to commence as soon as possible. The re-launch of this area will greatly assist with retention of members.

2.5 Advertising Income

The information screens around the building have been identified as a resource for Income generation to support the overall revenue budget. A soft market test and procurement exercise undertaken in April-June 2019 led to Cabinet approval to award Strategi Solutions a contract to sell advertising space on the information screens. The anticipated income to the Council is expected to be £15,000 per annum from April 2020.

2.6 Climbing Wall Redevelopment

The climbing wall has failed to achieve its budgetary income target since opening, principally due to the opening of three dedicated climbing centres in the area at the time that J2 opened. Market research has been undertaken to identify alternative options for the use of the climbing wall area and an interactive climbing experience has been identified as the best fit to replace the climbing wall. An indicative scheme has been developed and capital costs for the scheme are to be finalised by January 2020. A business case is under development as proof of concept as a commercial operation that will support the longer term viability of Jubilee2.

2.7 Improved collection of direct debits

The current direct debit process relies on internal capacity which has reduced in recent years. The main concern is around the collection of monies owed on cancellation. Some months the Council writes off up to £3,000 in fees owed under contract. A soft market test has identified that there are specialist companies that demonstrates a significant opportunity for an improved service and reduction in fees written off. An options appraisal for the long term future management arrangements for the collection of memberships by direct debit is currently being prepared for consideration by EMT. The soft market test option identified that there is a potential to recover additional gym income through enhanced direct debit collection process and for realigning staff capacity to focus on customer retention.

2.8 Review and early implementation of new scale of fees and charges.

In discussion with Alliance we have reviewed our membership fee structure and price point and are looking to introduce changes from January, along with an impact sales campaign. The proposal is to reduce the membership fee where a 12 month contract is entered into and remove off-peak membership.

2.9 Improved absenteeism management

During 2018-19 absenteeism levels at Jubilee2 were well above the corporate target of 2 days each quarter per employee. This led to a significant overspend of around £55,000. The introduction of new corporate procedures has helped to manage absenteeism more efficiently and effectively across the service. In the first two quarters of 2019-20 absenteeism has fallen to below the corporate target.

2.10 Improved energy management based on energy audit findings

The utility bills in particular gas and electricity have exceeded budget in recent years. In recognising that some heat loss is occurring as a result of roofing defects it is essential to ensure that the heating and ventilating plant is operating at optimum efficiency. Therefore in June 2019 an energy audit was undertaken. The Audit identified immediate projected savings for gas and electricity of £9,600 through the reconfiguration of the air handling units and recommended a business case is developed to reclaim surplus heat being generated by the CHP unit.

2.11 Installation of on-site chlorine generation from salt

The original chlorine dosing equipment used calcium hypochlorite and was becoming problematic as it was coming towards the end of its life expectancy. More recent developments in technology provided the opportunity to replace the existing system with one that produces chlorine on site from salt. This has the following advantages: Salt is considerably cheaper than sodium hypochlorite; it is

more environmentally sustainable and produced locally (Cheshire); is safer to handle; and as it is produced according to the demands placed on the pool by bathers less chemicals are introduced to the pool water. In July 2019 a business case was approved to purchase an onsite chlorination system (from salt), which was installed in August 2019 and is likely to achieve a £6,000 a year saving.

2.12 **Replacement pool filter media, changing from sand to glass**

The pool water is filtered through sand filters. As part of the preventative maintenance programme for the pool plant it was identified that the sand in the teaching pool filters needed replacing in order to maintain the quality of the pool water. There are two options available for replacing the filter medium, these being sand or recycled glass. There is no price difference between the two, however glass was chosen as a recycled material and the experience of other recent conversions illustrating that they take less water to clean (backwash).

3. **Proposal**

- 3.1 That scrutiny provides constructive challenge to the approach set out to drive improvement in the service.

4. **Reasons for Proposed Solution**

- 4.1 To improve the operation and marketing of J2 as major elements of service performance.

5. **Options Considered**

- 5.1 That scrutiny supports or provides constructive challenge to the approach set out to drive improvement in the service.

6. **Legal and Statutory Implications**

- 6.1 Section 1 of the Localism Act 2011 provides the Council with the power to do anything that general individuals may do. This power extends to doing things that an individual may do which are unlike anything that the Council currently does. This power can be used for commercial purposes or otherwise. The Council may exercise this power for the benefit of the authority, its area or persons resident or present in its area.

7. **Equality Impact Assessment**

- 7.1 There are no equality implications arising directly for the Council

8. **Financial and Resource Implications**

- 8.1 The actions to date account for an improved position - forecast to be an improvement on last year's outturn of £131,323 against a target of £137,360

9. **Major Risks**

- 9.1 There are a number of risks to the operation that require proactive management. These are summarised as follows:
- 9.2 Competitive Risks – The service managing a mid-range priced leisure club next door to an established national budget gym chain.
- 9.3 Economic Risks – The budget provision at J2 excludes lifecycle costs. A business case has to be developed for expenditure to maintain the facilities in line with customer expectations.

- 9.4 Operational risks – officer capacity and critical latent defects
- 9.5 Reputation risks – loss of confidence in the building by staff and customers due to ongoing defects and closure of Aqua Sauna resulting in a reduction in the service offer and decline in membership.
- 9.6 Legal risks – lack of co-operation from building contractor in addressing building defects

10. **Sustainability and Climate Change Implications**

- 10.1 A number of initiatives are being taken forward, such as balancing of heating and ventilating controls, procurement of fitness equipment with an improved energy rating. These will reduce the building carbon footprint.

11. **Key Decision Information**

- 11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 Cabinet July 2019

13. **List of Appendices**

None

14. **Background Papers**

None