

South Lakeland Leisure

Trading as Lakes Leisure

Extract from the Trustees' Report for Council Members

For the Year Ended 31 March 2009

South Lakeland Leisure

Report of the trustees for the year ended 31st March 2009

The trustees are pleased to present their report for the year ended 31st March 2009.

Directors and trustees

The directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

The trustees currently serving are as follows:

K G Alderson	Employee Nominee	
A J Baverstock	SLDC Nominee	(appointed 2 July 2008)
C Feeney-Johnson	SLDC Nominee	(appointed 2 July 2008)
R Read	SLDC Nominee	(until 02/07/08)
C Regan		
G Ronson		(appointed 15 January 2009)
J Tait	Chairman	

Company Officers

D Ronald	Chief Executive Officer
J Bowe	Company Secretary

Structure, Governance and Management

Governing Document

South Lakeland Leisure is a company limited by guarantee governed by its Memorandum and Articles of Association dated 18 April 2002. It is a registered charity with the Charity Commission. In the event of the charitable company being wound up, members are required to contribute an amount not exceeding £1.

Related Parties

The charitable company and South Lakeland District Council are related parties. South Lakeland District Council nominates two trustees and provides core funding to enable the charitable company to carry out its objectives.

Risk Management

The trustees have a risk management strategy which includes an annual risk review, bi-annual Audit/Risk Committee meetings and the establishment of systems and procedures to mitigate those risks identified. The trustees are also committed to formulating a business continuity plan to minimise any potential impact on the charitable company should those risks materialise.

Objectives and Activities

The objects of the charitable company are:

-To provide or assist in the provision of facilities and services for recreation or other leisure time occupation primarily for the community and visitors to the South Lakeland district in the interests of social welfare, such facilities being provided to the public at large save that special facilities may be provided for persons who by reason of their youth, age, infirmity or disability, poverty or social and economic circumstances may have need of special facilities. While the persons for whom the facilities and services are primarily intended are the community and visitors to the South Lakeland district, the provision of facilities and services provided by the trust shall not be restricted to such and may be provided to other members of the public wheresoever situated whether within or without the United Kingdom who desire to and can conveniently make use of them.

-To promote community participation in healthy recreation by the provision of appropriate facilities for the playing of sport.

-To advance the education of the public in South Lakeland by the provision of training and courses to enable them to obtain coaching qualifications.

The main objectives for the year continued to focus on encouraging participation in sport, cultural and other recreational activities. The strategies employed to assist the charitable company to meet these objectives included the following:

- Providing a range of services and facilities to meet the recreational needs of the community.
- A pricing policy to make the services and facilities accessible to all sectors of the community.
- The establishment of robust health and safety procedures to provide as a safe an environment as possible for activities to take place.
- Investment to modernise and expand the range of services and facilities.
- Achieving community objectives, targeting key user groups and forging partnerships with external organisations to increase usage of the facilities and to secure additional funding.

Trading Name

From September 2006, the charitable company has traded under the brand of Lakes Leisure in order to enhance the corporate image of the three facilities at Kendal, Ulverston and Windermere currently operated by South Lakeland Leisure.

Usage

The trustees are delighted to report that usage statistics in the year show an overall increase of 8% compared to a decrease of 3% in the previous year. Dry sports enjoyed an increase of 11% thanks mainly to the success of Kendal's newly expanded FitZone and Ulverston's astro-turf and 5-a-side areas. Swimming, which has experienced a gradual decline in recent years, enjoyed an upsurge of 6% in the year. Swimming continues to be the single most popular activity accounting for 51% of all customer visits.

Achievements and Performance

Range of Services

The charitable company's range of activities comprise swimming, modern gym facilities, tennis and racket sports, team sports, theatre events (including classical concerts and light entertainment), courses and classes (including swimming lessons, yoga, pilates and vocational courses) and outdoor water sports.

Both Kendal and Ulverston are Quest accredited. Quest accreditation is the benchmark of quality in the leisure industry and is held by fewer than 700 facilities in the UK. In November 2008, Kendal achieved 'commended' status and Ulverston achieved 'highly commended' status. Ulverston, as a result, is now rated as being in the top 5% of leisure centres nationally in terms of quality of service. The trustees consider this to be an exceptional achievement.

Windermere is a specialist water sports facility recognised by the British Canoe Union, the Royal Yachting Association and the National Navigation Awards Scheme and is licensed by the Adventure Activities Licensing Authority.

Pricing Policy

South Lakeland Leisure aims to maintain its fees and charges at affordable levels whilst at the same time optimising its earned income so that further investment can be made. The charitable company offers price concessions for pensioners, under 16's, the unemployed, those who receive income support, disabled users and their carers. The loyalty point system introduced in 2006 which replaced the former membership scheme has proved very popular. Since the membership scheme was phased out, headline rates have been reduced to encourage more customers to participate in the range of activities on offer.

Following the expansion of Kendal's FitZone gym in December 2008, prices for gym packages were reduced and now premium packages are available for less than £30 per month. This policy has proved effective as measured by an increase in usage of 42% in the final quarter of the year.

In April 2009, the government's free swimming initiative was introduced for those aged 16 and under and those aged 60 and over. In addition, for those aged between 17 and 59, charges for the most popular activities, swimming and gym, were frozen with the aim of encouraging even greater participation.

Health and Safety

The in-house health and safety group meets monthly to identify new risks and devise procedures to mitigate those risks. This group refers any serious incidents and breaches to the Senior Management Team which in turn reports to the Audit/Risk Committee of the Board of Trustees. All new activities are risk assessed and regular re-assessments take place. Health and safety continues to be a priority for the charitable company.

The development of new health and safety templates in conjunction with specialist consultants Quality Leisure Management with the aim of minimising South Lakeland Leisure's exposure to risk through a planned approach has been on-going for a number of months. The new risk management system has now been fully implemented and was subject to a health and safety audit in November 2009.

Investment and Refurbishment

The trustees consider that the facilities and equipment need to be refurbished and maintained to a high standard in order to attract and retain customers. In the six years that South Lakeland Leisure has been trading, £1.1 million has been invested in capital projects on behalf of the local community. South Lakeland Leisure would like to thank those organisations which have contributed funding over the previous six years to make this investment possible. These organisations include: South Lakeland District Council, Sport England, The Inclusive Fitness Initiative, The Peter Harrison Foundation and Ulverston Townlands Trust.

The trustees recognise that investment is only possible as long as the charitable company's financial stability can be assured. Following the conclusion of a new funding agreement with South Lakeland District Council for the two year period to 31 March 2010 and having reviewed cash flow projections, South Lakeland Leisure embarked on an ambitious programme of capital renewal during the year.

The centrepiece of this programme was the expansion of Kendal's FitZone gym from 26 stations to more than 40 stations. Work commenced in September 2008 and was completed on schedule in December 2008. The project included expansion of the gym into the former Romney Room as well as renovation of the dry sports changing rooms. Consequently, the Romney Room, now renamed the Lonsdale Suite has been relocated to the redundant sauna area. The total cost of the project including additional gym equipment, benches and lockers was £178,000. The trustees welcomed South Lakeland District Council's provision of a loan to help finance this expansion.

In addition to this project, gym equipment at both Kendal and Ulverston was renewed in the year at a cost of £56,000. South Lakeland Leisure aims to renew cardiovascular and resistance equipment on a phased basis over three and five years respectively in order that customers can benefit from up to date machinery.

Due to the decline of squash usage over the years, Kendal has transformed one of its squash courts into a spin cycle studio having acquired a set of spin bikes. This innovative approach has proved popular with the majority of customers; nearly 1,200 participants have enrolled for spin sessions since August 2008 to the year end.

Windermere also benefited from the capital programme in the year. Essential equipment including the safety powerboat and two sailing craft were replaced at a total cost of £13,000.

Since the year end two major projects at Kendal and Ulverston have come to fruition. At Kendal, a staff changing room has been converted to a fully DDA compliant amenity on the ground floor and at Ulverston the rubberised, multi use, external courts which had almost become unusable due to long term weathering have been replaced with a tarmac surface. These projects amount to a further investment of approximately £36,000.

The trustees recognise that operating public buildings adapted for sport and recreational use requires constant repair and refurbishment as well as capital investment particularly in consequence of increasingly stringent health and safety regulations. Close to £450,000 has been allocated to general building improvements since April 2003. This expenditure has been necessary in order to tackle the backlog of repair work identified by the most recent building survey carried out in 2002.

Major building maintenance items in the year include replacement of the Westmorland Hall lights due to a design fault, replacement of fire doors, re-tiling and replacement of lights in the changing rooms at a cost of approximately £40,000 not to mention day to day plumbing, electrical and joinery work in order to renew facilities, repair damage and make good general wear and tear.

The trustees hope that the local community will enjoy the benefits of all these improvements for many years to come.

Community Objectives

South Lakeland Leisure has continued to try and engage target groups such as youth, the elderly, the disabled and low income families in active sports and meet the objectives of health and well-being. Previous schemes have been expanded and improved. In November 2008, the trustees approved an additional budget of £50,000 to be allocated to community provision for the year to March 2010. This has enabled the charitable company to recruit specialist staff to deliver services directly to the community and achieve tangible benefits for target user groups.

Youth

Through the South Lakes Schools Partnership, South Lakeland Leisure's community team has been active in the 53 primary and secondary schools in the district. This has led to a number of initiatives such as lunchtime and afterschool sports clubs, taster sessions in tennis and watersports, exercise and gym sessions to tackle youth obesity as well as lively street dancing and cheerleading activities for both kids and parents.

Recent developments include the launch of KAOS (kids are out of school), the holiday activity club which allows children to participate in a range of indoor and outdoor pursuits including swimming, kayaking, raft building and boulder bashing. The 15 activity days during the summer holidays of 2008 were all fully subscribed with 210 participants.

Windermere has continued to forge links with other local schools and organisations such as Young Cumbria and The Prince's Trust, hosting the South Lakeland Schools Canoe Club which is inclusive and accessible for children with disabilities. Students from Queen Katherine and Cartmel Priory Schools have gained a British Canoe Union 1 star grade. The "Windermere Rufwinds" windsurfing club provides opportunities for South Lakeland children to take part in regular water-sports sessions and in the year has been expanded to become a Royal Yachting Association approved "On Board" club with the aim of increasing grassroots sailing and windsurfing and providing opportunities for racing and development.

Elderly

South Lakeland Leisure offers a number of "50+" sessions for our customers. These include special swimming sessions, circuits, exercise classes and tennis sessions. These sessions are offered to our customers at discounted rates. Over 41,000 users have taken part in "50+" sessions during the year, an increase of 8% over the previous year.

In January 2009, Ulverston launched a new CareZone initiative whereby qualified instructors provide opportunities for chair based exercise in care and residential homes. As at March 2009 CareZone was active in four local residential homes.

Disabled Users

As mentioned above, the trustees are pleased to announce an expansion of the gym facilities at Kendal. Both Kendal and Ulverston FitZone gyms have gained IFI (Inclusive Fitness Initiative) accreditation. Qualified instructors provide expert knowledge and assistance to disabled users who benefit from specialist, adaptable equipment in a safe and welcoming environment. South Lakeland Leisure delivered nearly 1,200 individual sessions for IFI customers in the year.

Thanks to an "Awards for All" grant of £7,018 Ulverston has been able to purchase equipment to set up an "Inclusive Sports Club" for children aged 5-16 years with disabilities. The club started in February 2009 and has been very well supported by parent and disability organisations. This initiative has received local, county and national recognition within disability organisation publications. Approximately 20 children attend regularly on a weekly basis and have been enabled to enjoy up to 90 minutes of supervised sporting activity.

Low Income Families

South Lakeland Leisure continues to offer concessions to the unemployed and those on income support.

Plans to liaise with South Lakes Housing to provide residents with a pass scheme are in their infancy. This would give South Lakeland residents in 3,500 homes lower cost access to leisure facilities.

Health and Well-Being

Lakes Leisure *Kendal* continues to provide a base for and administrative support to the Walking the Way to Health Initiative which provides opportunities for people with health problems or who have been long term inactive to participate in gentle exercise.

Both Kendal and Ulverston run "Healthy Hearts" classes in conjunction with Adult Education and Morecambe Bay Primary Care Trust. Discussions with Morecambe Bay Primary Care Trust to expand this scheme to include GP referrals are on-going. It is envisaged that staff will be specially trained to provide tailored exercise programmes for patients referred by their GP to help tackle general health issues.

During the year, the "Healthy Hearts" scheme was broadened to incorporate special sessions for COPD (chronic obstructive pulmonary disease) patients which has almost doubled the number of sessions to over 3,000.

Rural Isolation

Discussions have been underway with South Lakeland District Council regarding the most effective method of tackling rural isolation. Since the year end, the South Lakeland Leisure's community team has been able to deliver tuition to village halls as far apart as Broughton and Sedbergh as well as delivering taster sessions in rural schools. Activities on offer have included tennis and teams games. The "Funsports on Tour" initiative was launched in the summer of 2009 to take sports to rural areas.

Special Events

The trustees are delighted that a number of high profile events took place during the year with some very special guests including sports stars and the Premier League Trophy. The summer of 2008 saw the Olympic and Paralympic Games take place in Beijing and local, aspiring athletes had opportunities to meet some of their heroes which will hopefully inspire them to become champions themselves as we build towards London 2012.

In September Kendal hosted a surprise session for members of Kendal Swimming Club. Multiple world champion Mark Foster, Olympic champion Martin Van der Weijden, silver medallist David Davies and bronze medallist Cassie Patten fresh from their success in Beijing helped local youngsters hone their skills setting a series of challenges culminating in a relay race with the elite team taking on club members.

This was followed a few months later in January 2009 by a visit from Paralympic cyclists Barney Storey MBE (double gold in Beijing 2008 and multiple world champion) and Sarah Storey OBE (seven times Paralympic gold medallist and multiple world champion in both swimming and cycling including double gold in Beijing 2008). Barney and Sarah officially opened the expanded FitZone and showed off their medals. Afterwards, the two Paralympians met with local young athletes in the new Lonsdale Suite answering questions and passing on the benefits of their experience.

Olympic silver medallist and current world champion Keri-Anne Payne together with double Commonwealth gold medallist Dave Carry visited Kendal in January 2009 to hold a private skills session for young local swimmers. The youngsters were treated to a master class comprising warm up routines, stroke technique and special exercises.

Finally in February 2009, nearly 250 football fans in South Lakeland had the opportunity to see English football's most coveted prize when the Premier League Trophy was displayed at Kendal. Special guests for the event were Milnthorpe under 12's and their parents who use the centre regularly for training. The team enjoyed a kickabout with local MP Tim Farron and then posed for pictures with the iconic prize.

Financial Review

Financial Performance

Overall reserves at the year end stand at £653,118 which includes a pension fund deficit of £124,000. The trustees consider the trading position of the charitable company to be satisfactory.

Income generated from admission fees, courses, theatre operations and trading activities increased 9% over the previous year. Income from bar and catering activities however reduced by 25% compared to the previous year. This reduction was expected following the restructure and redundancies which took effect in October 2007. Theatre and events overall suffered a 15% decrease in gross box office sales in the year although ticket split events recorded as theatre income actually increased by 34%. Comedy events with Ken Dodd, Jimmy Carr and Frankie Boyle once again proved to be popular and classical events featuring Lakeland Sinfonia, Westmorland Orchestra and English Touring Opera were well supported. The Westmorland Hall also played host to a fund raising event for cancer charities, various school productions and ballet school performances.

Expenditure increased by 3% over the previous year. Energy costs rose by 19% and have a material impact on the charitable company's finances as energy represents the second highest expenditure category after salaries. As described above, emergency repairs of the Westmorland Hall lighting and other refurbishments led to an increase in expenditure on building maintenance and general repairs in the year of 67%. This work included replacement of Kendal's ageing telephone system with the latest digital hardware. Replacement of a server at Ulverston and an upgrade of chip and pin machines contributed materially to an increase of 42% in IT expenditure. These cost increases were offset to some extent by savings in other areas such as grounds maintenance, following a tender exercise, and professional costs due to advice sought in the previous year prior to implementation of a new pay and grading scheme to replace the flawed Job Evaluation Scheme inherited from South Lakeland District Council, employment law advice regarding changes in terms and conditions and marketing consultancy to try and boost income generation in the medium to long term. The cost savings were however cancelled out by increases in other expenses. Despite a general pay increase of 2%, salary costs remained virtually identical to the previous year as a result of the new pay and grading system and sickness absence policy.

Principal Sources of Funding

Aside from income generated from admission fees, courses, theatre operations and trading activities, the principal source of funding for the charitable company is by way of grant income from South Lakeland District Council. South Lakeland Leisure is seeking to generate additional sources of funding through organic growth, sponsorship and grant providers.

Investment Policy

Under the Memorandum and Articles of Association, the charitable company has the power to make any investment which the trustees see fit.

Management is mindful of day to day working capital requirements and the need for a prudent approach. Available funds are invested in a treasury reserve account with the aim of achieving a rate of interest which matches or exceeds inflation as measured by the retail price index. Invested funds achieved an average return in excess of 4% until December 2008 compared to a retail price index average of 3% for the year to March 2009.

As a consequence of the UK's longest period of recession on record, historic low rates of interest have impacted on South Lakeland Leisure's investment income. From December 2008, treasury rates have averaged around 1%. The trustees are reviewing the situation and are considering all options to maximise returns.

Reserves Policy

The trustees have resolved that the charitable company should build a cash reserve of £300,000 in excess of current trade creditors.

As at 31st March 2009, South Lakeland Leisure's cash reserve stood at £283,195 (2008: £223,666) in excess of current trade creditors, VAT, PAYE and finance lease liabilities.

The trustees are pleased to report that cash reserves are approaching the desired level and in the interim recommend that sufficient cash be maintained to cover outflows in respect of trade creditors, VAT and PAYE liabilities and finance lease obligations.

The trustees consider that an adequate level of liquid resources has been maintained throughout the year.

Plans for Future Periods

At the time of this report, the trustees are pleased to announce that an agreement with the local authority has been reached in principle for the period to March 2014 with funding confirmed at the current level for the period to March 2012 which will enable South Lakeland Leisure to develop its charitable activities.

In June 2008, the government announced plans for free admission to swimming pools in England for over 60's to promote sport ahead of the London Olympics. Ministers originally planned to extend this to under 17's and eventually scrap all entry charges by the time the games open in 2012. South Lakeland Leisure was pleased to implement the first phase of the scheme in April 2009 by offering free swimming to under 17's and over 60's subsidised by a grant from central government. The state of public sector finances and an impending general election have however cast some uncertainty over the future of this scheme.

In April 2009, South Lakeland Leisure launched its own initiative to deliver sports and exercise opportunities throughout the district by forming a specialist community team to reach target groups such as youth, the elderly and disabled users as well as tackle rural isolation and fulfil health and well-being aspirations. Some of the team's work with elderly and disabled users is considered to be pioneering in the leisure trust sector and has achieved national recognition.

In September 2008, South Lakeland Leisure received a gold award from the Cumbria Business Environment Network which was achieved by making environmentally friendly modifications including use of light sensors, percussion buttons in showers, air handling units, pool blankets and recycling of cardboard and paper. The trustees recognize that the charitable company consumes huge amounts of energy in pursuit of its aims and wishes to reduce its carbon footprint and to save costs. To these ends, an Energy Committee was formally constituted in September 2009 to evaluate energy saving projects such as use of wind and solar power and water harvesting schemes.

With a view to the long term provision of community sports facilities in the district, the trustees have authorised the Chief Executive to investigate all options available for building brand new leisure centres to meet the needs of the 21st century. The charitable company is seeking to work with partners and gain financial backing for ambitious plans to building new facilities. The trustees are aware that such plans require long term commitment and substantial support from key partners. Nevertheless, the ultimate objective of building brand new leisure centres to meet the challenges of the 21st century remains.

The trustees are pleased with the progress the charitable company has made in the year and since the year end and feel that South Lakeland Leisure is well placed to serve the community in the medium term and beyond.