

A photograph of a swimmer in a pool, captured in a dynamic pose during a stroke. The swimmer is wearing a white swim cap with the brand name 'arena' visible, and colorful goggles. The water is a vibrant blue, and a lane line with blue floats is visible in the background. A large, faint watermark is overlaid on the center of the image.

HAZLEWOODS

DRIVING LIFELONG PROSPERITY

Private and Confidential

Strategic review of Aspire Cultural and Leisure Trust

Carried out on behalf of Gloucester City Council

JUNE 2023

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Contacts

[Redacted contact information]

Basis of Preparation

The scope of our work has been limited to that set out in our engagement letter dated 9 May 2023 (Appendix A). The information set out in this report has been obtained through a review of certain documentation disclosed to us by Aspire Cultural and Leisure Trust (“the Trust”) together with discussions with representatives of the Trust. We have not verified the accuracy, reliability or completeness of the information supplied. We emphasise that our enquiries would not necessarily disclose all matters of significance to the Council.

Discussions have been held with:

- Jacquie Douglas (Representing Aspire Cultural and Leisure Trust)
- Greg Maw (Representing Gloucester City Council)
- Hadrian Walters (Representing Gloucester City Council)

The main sources of information contained in this report are:

- Budget, cash flow forecast and the business plan for the year 2023-24.
- Actual Energy Consumption data from April 2020 till April 2023.
- Documents such as Partnership Delivery Plan and those outlining marketing strategies.

Our report makes reference to “Hazlewoods’ Analysis”; this indicates that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented and we do not accept responsibility for the underlying data.

The procedures performed have been carried out in accordance with International Standard on Related Services (ISRS) 4400 – Engagements to Perform Agreed-Upon Procedures Regarding Financial Information, and do not constitute an audit examination in accordance with International Standards on Auditing (UK and Ireland). Accordingly, we do not express an opinion upon the truth and fairness of the information contained in this report, either in part or as a whole.

We are not aware of, nor can we be held responsible for, any incidents occurring after our work was completed on 19 June 2023 that might have an impact on the information presented in this report, and we draw your attention to the liability and limitation clauses in Section 7 of our engagement letter, which is attached at Appendix A.

This report is confidential and has been prepared exclusively for the use of the addressee below. It should not be used, reproduced or circulated for any other purpose in whole or in part, without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.

Important Notice in relation to Covid-19 Outbreak

We have not attempted to estimate the potential impact of the Covid-19 outbreak on trade, employees, suppliers and the wider economy.

For your convenience, this report may have been made available to you in electronic as well as hard copy format. Multiple copies and versions of this report might, therefore, exist in different media and, in the case of any discrepancy, the final signed and dated copy should be regarded as definitive, the final copy will be in either hard paper copy format or as a PDF file.

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22nd June 2023

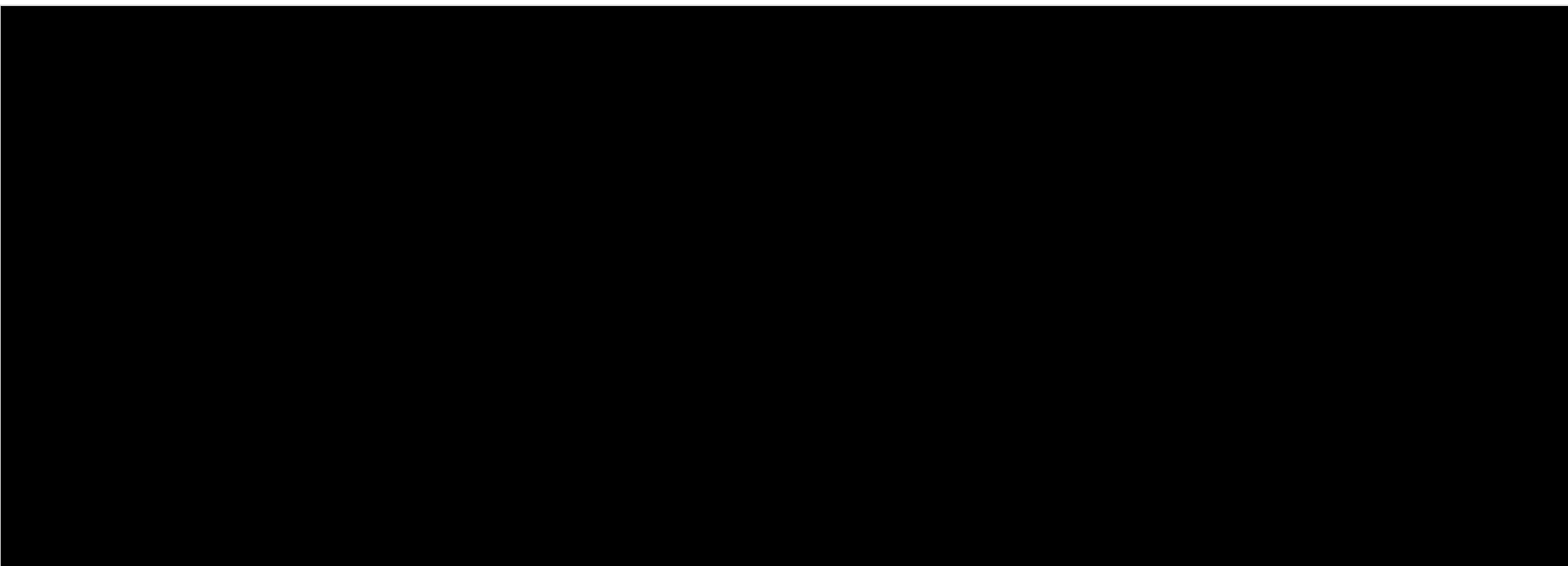
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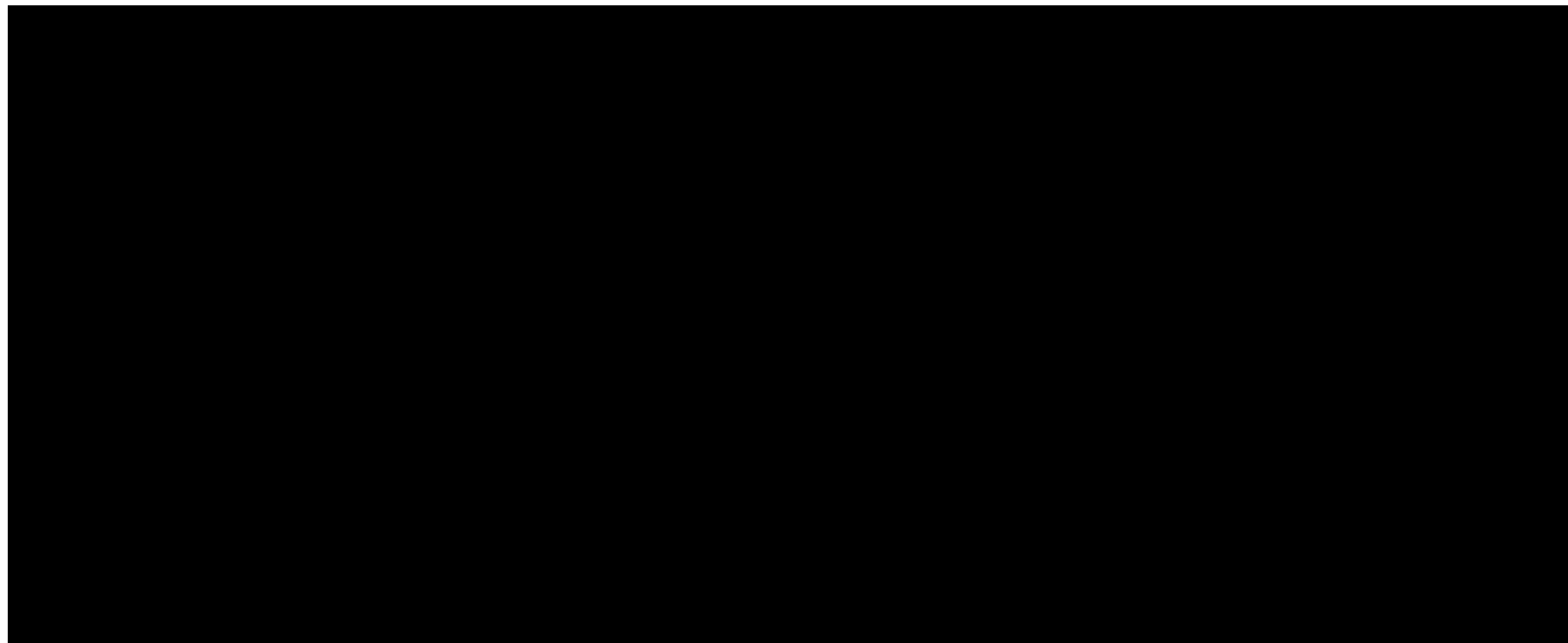
Review of 2023-24 budget of Aspire Cultural and Leisure Trust

The budget of Aspire Cultural and Leisure Trust has been collated using the best possible information available; however, there are some obvious risks and fundamental issues with the quality of the information supplied to Hazlewoods. The data provided has been impacted by an historical council-wide data breach that has left a lasting impact on the operational effectiveness of Aspire and hampered its ability to provide historical data and projections. Specific issues include:

- The numbers are hard coded with no explanation as to their origin;
- Some of the individual Cash Flow sources and payments are brought forward directly from the previous Cash Flow;
- Some line items are copied in from different spreadsheets with no supporting data provided.

The graph below highlights the obvious Cash Flow risk that Aspire is experiencing and is fundamental to the entity's ability to continue in its current guise. This document shall further investigate this issue and, where the quality of the data permits, seek to identify the key issues and possible mitigation of such risks.

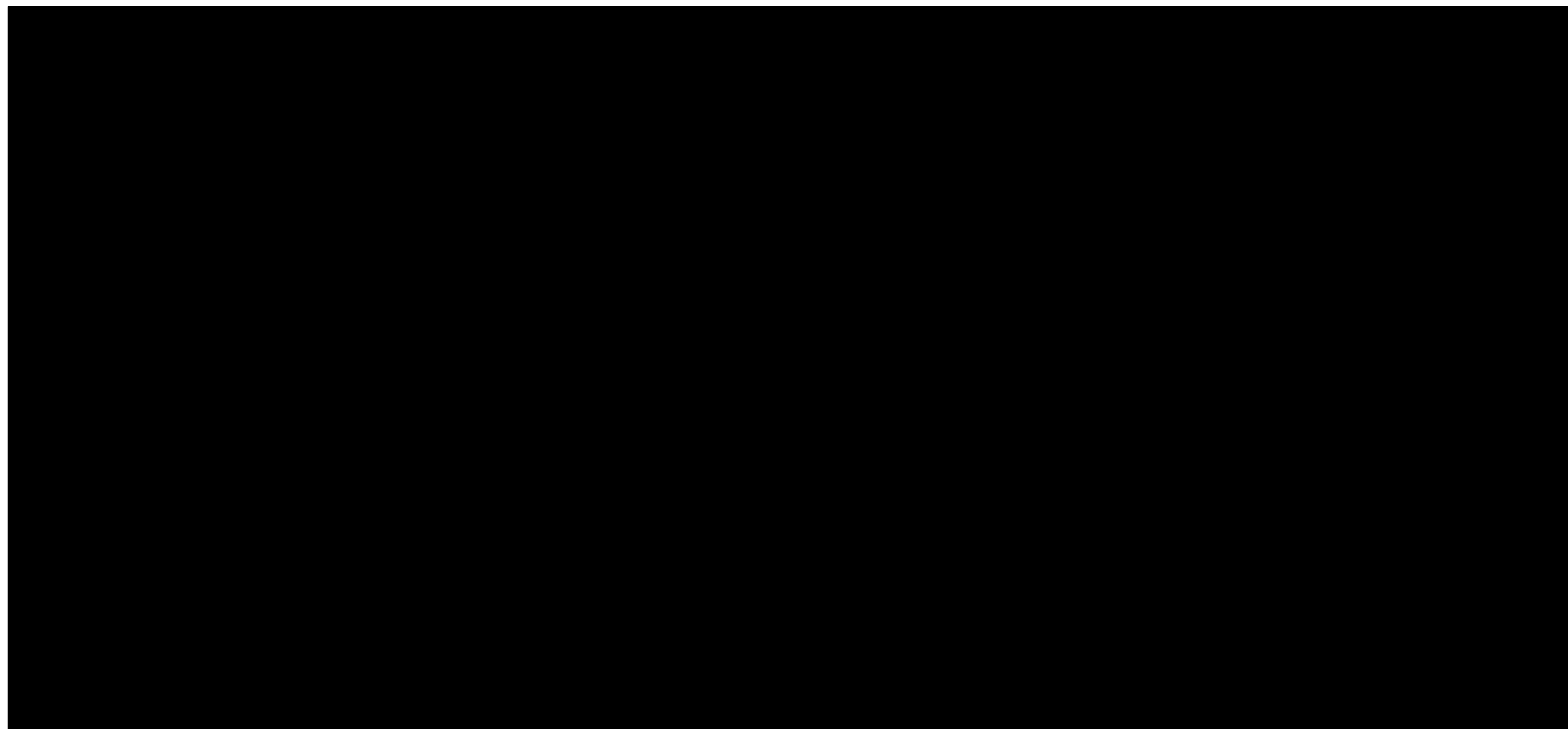




- Forecast Utilities consumption used in the budget for FY 2023-24 was not available and we can therefore only comment on historical trends rather than analyse any future predictions.
- There is obvious seasonality where usage peaks coincide with high wholesale costs.
- The overall trend in energy consumption remains constant, suggesting there have been no measures taken to enhance energy conservation.
- Although we have not been provided with a detailed budget for energy costs, we assume the Trusts' forecast is based on a similar level of Kwh usage and the cost relates to an increased unit price

Assessment of the financial viability of budget and cashflow projections

Aspire is projected to deplete its funding by September 2023. The primary driver behind this financial predicament is escalating energy costs. Aspire relies heavily on energy-intensive operations to fulfil its mission, which includes providing essential leisure services to marginalised communities. With a continuous rise in energy prices, the organisation's budget has been significantly strained, leaving little room for other crucial expenses. Additionally, there is a lack of a feasible action plan to improve revenue streams beyond those included in the existing business plan.



Assessment of the viability of actions proposed to improve the company's financial position

The Council suffered at the hands of a large cyber-attack 18 months ago. As its IT systems are relied upon, the implementation of many scheduled initiatives had to be delayed. However, there are plans included in the Business Plan to increase revenue included in the projections and, therefore, reduce the dependence on the management fee.

These are outlined below:



New products - for example Active Tots:

While introducing new products can be a good strategy, it may not necessarily lead to increased revenue. Launching a new product requires additional resources and investment, such as marketing and production costs. Moreover, there is no guarantee that the new product will be successful or generate enough demand to offset these expenses.



Price increase of 10% across the majority of products:

When seeking to minimise a deficit, a common response is to increase prices of services. Implementing a 10% price increase across most products could lead to negative consequences for revenue. Higher prices may deter customers and lead to a reduced volume of sales. Competitors with lower prices may gain an advantage and attract price-sensitive customers, potentially resulting in a loss of market share.



Scheduled price increase of 5% with effect from July for Active Life Junior Memberships:

As a strategy for increasing revenue, putting up the price of Active Life Junior Memberships is an option. However, its implementation could discourage families from enrolling their children, especially if there are alternative and more affordable options available. This may lead to a decrease in revenue from junior memberships and potentially impact overall revenue if it reduces family memberships as well.



Sky Advert Summer 2023:

While advertising can be an effective way to increase revenue, relying solely on a single advertising campaign, such as the Sky Advert, may limit the reach and impact of the marketing efforts and not guarantee significant returns. A comprehensive and diverse marketing strategy is needed to reach a wider audience and maintain a consistent presence in the market.



Health and Wellbeing Hub:

Collaborating with partners to introduce new initiatives can be beneficial and attract new customers, but it may not lead to a substantial increase in revenue. The success of these initiatives relies on factors such as demand, competition, and the effectiveness of the implemented strategies. There is a risk that the impact on revenue may not justify the resources invested in these partnerships and initiatives.

National Shortage of Lifeguards and Swim Teachers:

Developing a training school for lifeguards and swim teachers could generate additional income by training staff for other centres. However, it may not fully address the shortage and revenue loss caused by the national shortage. The time and resources required to run a training school may be significant, and the revenue generated from training may not compensate for the revenue lost due to the shortage.

[REDACTED]

Rebuilding the Lawn Tennis Association's coach programme:

Collaborating with the Lawn Tennis Association to rebuild the tennis coach programme could help address the shortage of coaches and expand the market for tennis lessons. However, relying solely on this partnership and grant may limit the scope of the initiative and the revenue growth potential. Diversifying strategies and exploring additional avenues to attract and retain tennis enthusiasts may be necessary to achieve a significant increase in revenue.

The strategies outlined for increasing revenue, such as introducing new products, implementing price increases, relying on a single advertising campaign, and collaborating with partners, show potential weaknesses. These strategies may not generate the desired revenue growth and could lead to unintended consequences such as customer loss, increased expenses, and limited reach. Additionally, efforts to address shortages of staff, like lifeguards and tennis coaches, may require further consideration to ensure long-term sustainability and revenue impact.

Beyond the actions proposed above and already integrated in the financial model, there are no new initiatives proposed to enhance revenue streams.

Review of company's business plans and planning process

Aspire's business plan outlines the organisation's strategic objectives and direction, with a focus on providing an active life for all the family.

The plan aims to:

- achieve sustainability,
- meet contractual obligations,
- reach pre-pandemic usage levels, and
- be a good partner and employer.

It highlights challenges posed by the private sector health and fitness market and the COVID-19 pandemic, and proposes a strategic approach to capitalise on unique selling propositions and target audience segments. While the plan provides an overview of marketing, income generation, operational efficiency, and partnerships, it requires further development in areas such as market analysis, specific strategies, and risk management.

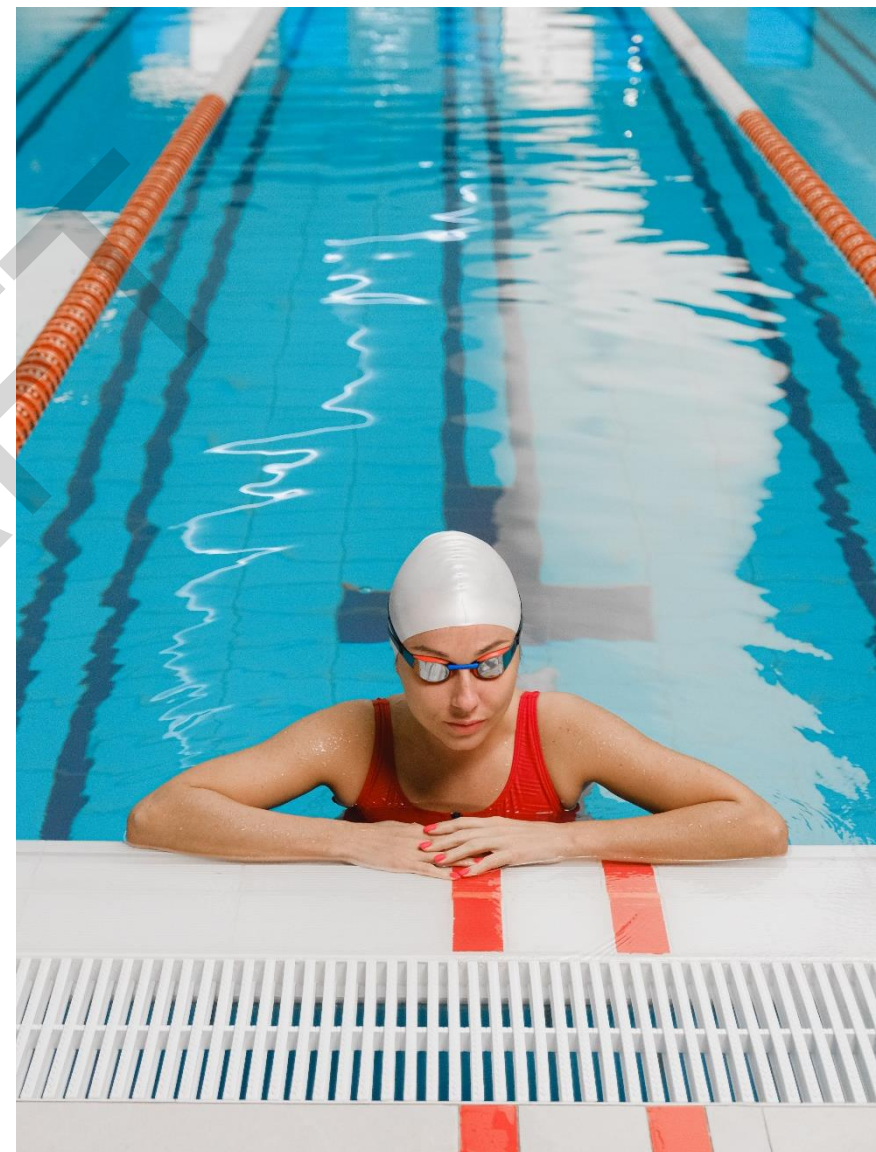
Financial forecast

The financial forecast indicates a deficit position, necessitating management fee support. The plan lacks a comprehensive monitoring and evaluation framework to track progress and impact. Further refinement is needed to ensure a robust and effective roadmap for the Trust's future success.

Market analysis

The business plan's market analysis offers valuable insights into the external and internal factors affecting the not-for-profit charity's swimming pool operations. It acknowledges the significant impact of the COVID-19 pandemic and the changing competitive landscape in the leisure market. The analysis highlights the need for the charity to differentiate itself and provide unique goods and services to drive customer retention. It also recognises the importance of generating income and developing sustainable products. However, the analysis lacks depth in terms of specific strategies to address the identified challenges.

Further details on marketing initiatives, competitor analysis, and risk management would strengthen the plan's effectiveness. Additionally, while cost reduction measures are mentioned, there is a need for more comprehensive strategies to manage overhead expenditure and increase operational efficiencies.





Future potential

The proposed future potential of the swimming pool, as outlined in the business plan, lacks specific and measurable goals. While it mentions a range of opportunities, such as new activities, facility improvements, and partnerships, it fails to provide concrete examples or specific strategies for capitalising on these opportunities.

Capital expenditure

The capital expenditure section lists previous investments without clearly linking them to the desired outcomes or their impact on revenue generation or customer satisfaction. For instance, the investment in Lunar City and ICT hardware/software lacks an explanation of how these expenditures contribute to increased participation or revenue. The plan also mentions potential future contracts and bid opportunities without providing a clear roadmap for pursuing them.

Additionally, the efficiency and effectiveness of the organisation are highlighted as priorities, but the plan lacks details on specific measures and actions to achieve these goals. The need to reduce consumption and utility costs is acknowledged, but there is a lack of specific plans or initiatives to achieve sustainable energy practices.

Overall, the plan would benefit from more specific, measurable, achievable, relevant, and time-bound (SMART) goals and a clearer roadmap for implementation.

Marketing plan

The marketing plan for the not-for-profit swimming pool demonstrates a clear understanding of the importance of marketing in achieving the charity's objectives. The plan focuses on promoting the facilities to the local community while maintaining a strong brand identity and linking to the charitable status. The key measurable factors identified, including customer satisfaction and financial performance, align with the overall goals.

The marketing objectives, such as growing the customer base and gaining market leadership, are ambitious and relevant. The strategies outlined, such as building partnerships and investing in programme development and quality measurement, are well thought out.

Overall, the plan seems comprehensive and likely to contribute to the success of the swimming pool.

Financial plan

The financial plan provided lacks sufficient detail and analysis to properly assess the financial projections. It simply presents a table of figures without any explanation of the assumptions or methodologies used to generate those projections. Without this information, it is difficult to determine the accuracy and reliability of the numbers.

Additionally, the plan does not provide a comprehensive breakdown of expenses, making it challenging to identify areas of potential cost savings or inefficiencies. Moreover, the methods outlined for monitoring the progress of the business plan are vague. The performance indicators mentioned in section 9.1 of the plan are listed without any specific targets or benchmarks.

Without clear goals, it becomes difficult to assess whether the organisation is meeting its objectives or falling short. The lack of a reporting cycle for performance measures to key stakeholders, such as the Board of Trustees and the Council, may hinder effective oversight and decision-making.

Overall, the financial plan and performance monitoring methods provided would benefit from more transparency, detailed analysis, and clearly defined targets to ensure effective financial management and performance evaluation.



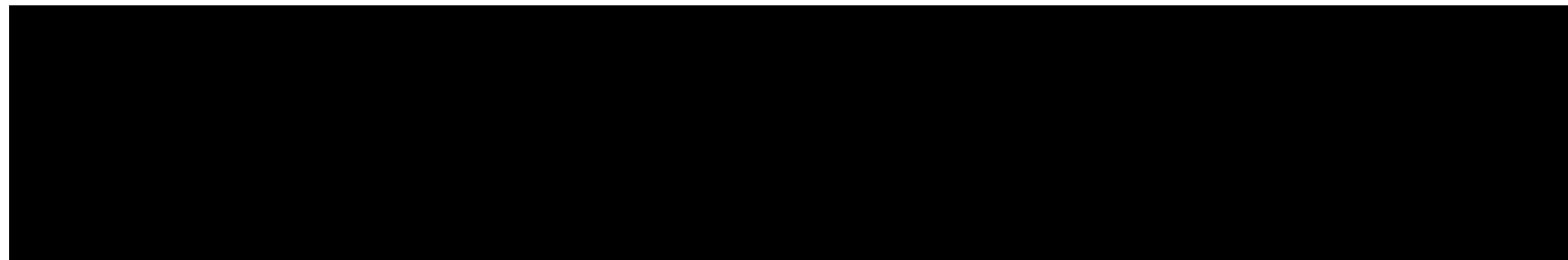
Sensitivity analysis of assumptions used in preparation of budget and cashflow projections

Unfortunately, due to the unavailability of reliable and high-quality data, conducting a thorough sensitivity analysis exercise was not feasible. Sensitivity analysis relies on accurate and comprehensive data to explore the impact of varying parameters or assumptions on the outcomes of a model or analysis. Without access to such data, it becomes challenging to assess the robustness and variability of results, hindering the ability to make informed decisions or draw meaningful conclusions. It is essential to prioritise data quality and collection in future endeavours to enable more comprehensive sensitivity analyses and enhance the reliability of analytical exercises. However, it was possible to perform some basic sensitivity analysis around *headline* numbers in the forecasts.

In the Staff Costs Analysis of Aspire, several key points can be summarised:

1. Hourly wage rates: There was an overall increase of 9.3% in hourly wage rates for all employees, regardless of their salary level. This increase was deemed understandable for those earning the minimum wage, but questionable for those on higher salaries.
2. Additional vacant positions: The budget included provisions for additional staff positions that were not currently filled. However, based on the available information, it was difficult to determine the necessity or justification for these additional staff members.
3. Hard-coded numbers: Some specific figures in the analysis were set as fixed values, likely predetermined and not subject to change.
4. Extrapolation from previous year's actuals: To estimate certain numbers, the analysis utilised data from the previous year up until October and extrapolated it to the present analysis. This approach allowed for projecting values based on past performance.

Overall, the Staff Costs Analysis of Aspire involved wage rate increases, provisions for vacant positions, some fixed figures, and extrapolation of previous year's data to provide insights into the company's staffing expenses.



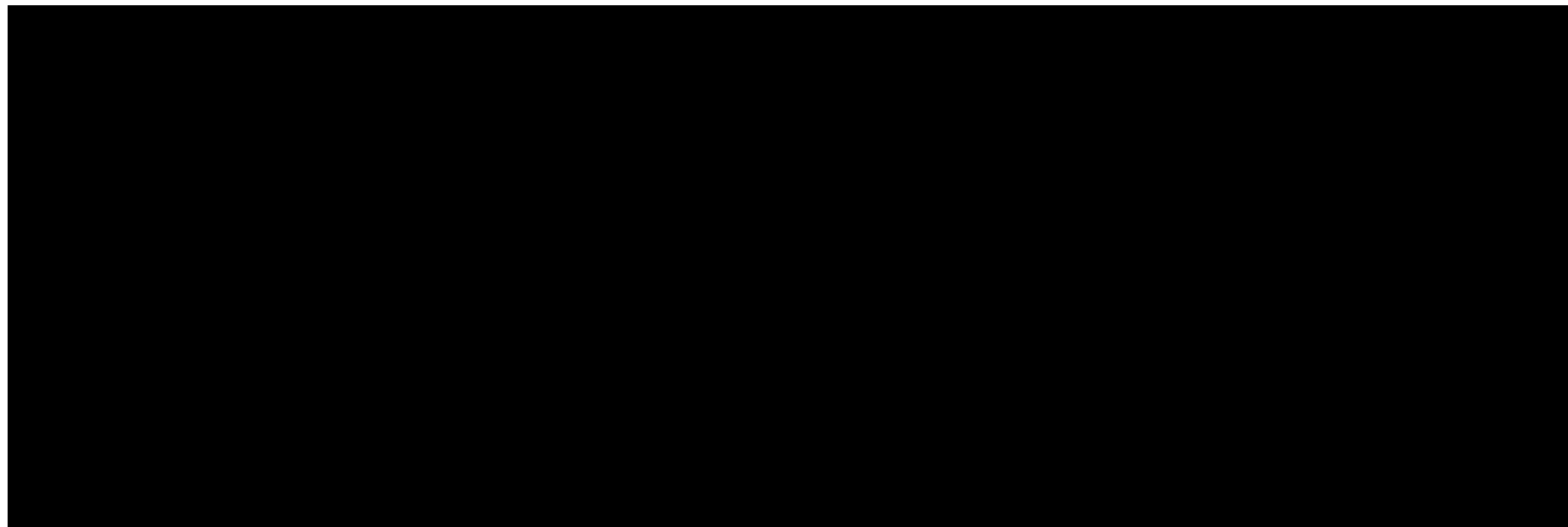
Performing a sensitivity analysis of Aspire's energy usage is impossible due to the lack of quality data and specific information regarding price and kilowatt usage. The available data only provides the total cost of energy, with no breakdown of the respective costs for gas and electricity.

Without knowing the price per unit of energy or the kilowatt usage, it becomes challenging to conduct a sensitivity analysis. This type of analysis requires precise data points to assess how changes in variables such as price or usage impact the overall energy costs. Unfortunately, the absence of this critical information hinders the ability to perform a meaningful sensitivity analysis for Aspire's energy usage.

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Review of future financial and contractual commitments

To get a clearer idea of the impact of the future contractual and financial commitments it is best to compare the performance of them between periods. From the table below, there are a few key conclusions that can be drawn.



- Aspire's most significant contractual commitments include maintaining the property and paying the energy bill. However, there are concerns about Aspire's ability to fulfil its financial obligations, particularly regarding the energy bill. The partnership between the Council and Aspire is based on mutual respect, a shared vision, and a commitment to increasing sports participation and inclusivity.
- To govern the partnership, a Strategic Partnership Board has been established, consisting of key representatives from both parties. The board meets quarterly to discuss various matters such as progress on the Service Plan, strategic objectives, financial performance, service improvement opportunities, and more.

- Aspire is required to provide Quarterly Performance Reports and detailed Annual Performance Reports, demonstrating its delivery of the Council's strategic objectives. The reports should address any shortcomings, highlight missed targets, and spot additional achievements beyond the Council's requirements. Monthly meetings between the Council and Aspire cover operational matters, including the management fee, reconciliation, pandemic recovery rates, and other operational issues.
- Aspire is responsible for paying the Non-Domestic Rates, while the Council handles contracts with utility providers. Aspire is expected to comply with the Council's policies on sustainability and climate change to the extent that it is reasonably practicable and financially viable.
- The Council and Aspire will collaborate on baseline energy consumption for the leisure facilities and develop an environmental action plan to reduce CO2 emissions and improve recycling.
- The significant increase in staffing costs of almost 24% year-on-year largely relates to filling vacant positions. We have been unable to substantiate whether these positions are critical to the operational success of the Trust.

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Summary

Aspire has failed to present a comprehensive plan to enhance revenue and has not provided sufficient data regarding its current overheads, notably its significant energy bill. It is difficult to properly analyse the situation without all of the necessary information to do so, but it does appear that the vast increase in the Management fee could be mitigated if the required steps are taken to do so.

This situation calls for urgent action to address the issue and ensure a fair and transparent financial arrangement between Aspire and Gloucester City Council.

Action Points:

- 1. Transparent Financial Reporting:** Aspire should be required to provide detailed and transparent financial reports, including a breakdown of its overhead costs, particularly the energy bill. This information will allow the Council to better understand the current financial situation and identify areas where cost-saving measures can be implemented.
- 2. Collaborative Revenue Enhancement Plan:** Aspire needs to develop a comprehensive plan to enhance revenue for the swimming pool. This plan should include innovative strategies for increasing visitor numbers, exploring partnership opportunities with local businesses, and implementing effective marketing campaigns. By working collaboratively with the Council, Aspire can ensure that financial burdens are shared, and revenue-generating initiatives are effectively pursued.
- 3. Independent Energy Audit:** Given the concerns surrounding Aspire's substantial energy bill, an independent energy audit should be conducted to assess the pool's energy usage, identify potential energy-saving measures, and estimate the financial impact of implementing those measures. This audit will provide valuable insights for both Aspire and the Council, enabling them to make informed decisions about reducing energy costs and promoting sustainability.
- 4. Assessment of staffing costs:** The budget for 2023/2024 allocates [REDACTED] for staff costs, an increase of almost £500k on 2022/2023 when it was [REDACTED]. It is important to see where the money is being spent, pay rises, addition heads etc and whether the expenditure is essential.

By implementing these action points, the Council can address the financial challenges posed by Aspire and establish a fair and transparent financial arrangement that supports the sustainability and success of the swimming pool while minimising the burden on the Council's resources.

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