

REPORT TO:	ETWALL LEISURE CENTRE JOINT MANAGEMENT COMMITTEE	AGENDA ITEM: 4
DATE OF MEETING:	11th JANUARY 2016	CATEGORY: RECOMMENDED
REPORT FROM:	TREASURER TO THE JOINT COMMITTEE	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	
SUBJECT:	INCOME & EXPENDITURE 2015/16 and PROPOSED BASE BUDGET 2016/17	REF: u/ks/live files/etwalljmc/budget report Jan 16
WARD(S) AFFECTED:	ETWALL, HATTON, HILTON, NORTH WEST, REPTON & WILLINGTON	

1.0 Recommendations

- 1.1 That the projected out-turn for 2015/16 and the proposed estimates of income and expenditure for 2016/17 are approved.

2.0 Purpose of Report

- 2.1 To detail the Leisure Centre's financial position for the current financial year 2015/16 against the approved budget, together with the proposed estimates of income and expenditure for 2016/17.

3.0 Detail

Background

- 3.1 The Leisure Centre is governed and managed by the Joint Management Committee (JMC). The Committee consists of representatives of South Derbyshire District Council (SDDC) John Port School (JPS) together with Derbyshire County Council (DCC).
- 3.2 The day to day operational management of the Centre has been the responsibility of Active Nation, a leisure trust. This is undertaken under a contractual arrangement for a period of seven years, which ends in 2018. Under the terms of the contract, an extension for a further 3-year period is currently being negotiated.
- 3.3 The contractual arrangement in place requires the JMC to make an annual payment to the Trust for running and maintaining facilities.

- 3.4 The income generated through the Centre is retained by the Trust, although over the life of the Contract, additional income generated will be reflected in a reduced subsidy payable from the JMC to the Trust.
- 3.5 Since 2011/12, the net cost of the Leisure Centre will have reduced from approximately £260,000 to just over £105,000 – the estimate for 2016/17.

Funding Arrangements

- 3.6 The net revenue of the Centre is funded 62% by SDDC and 38% by JPS. Although DCC do not directly contribute towards this subsidy, they do make an annual contribution to running costs which reflects the school usage of the swimming pool. This contribution (and any others received) reduces the overall contributions of SDDC and JPS.
- 3.7 The JMC are still responsible for some maintenance and utility costs. In addition, an amount of £25,000 is set-aside each year into a “sinking fund” for the future replacement of plant and equipment, together with a provision against any future decommissioning costs of £5,000.
- 3.8 As at 31st March 2015, the balance of these funds was £126,000, although approximately £106,000 of the current sinking fund has been used as a contribution to the gym extension and the provision of new fitness facilities in 2015/16.
- 3.9 The partnership arrangement with Active Nation also allows each party to work together and generate additional investment (including additional funding from all parties) to continuously develop the Centre.

Latest Financial Position

- 3.10 **Appendix 1** details the costs associated with the Centre. The main cost for the Leisure Centre is the payment in accordance with the Contract to subsidise the Facility.
- 3.11 The Appendix details the current year’s budget for 2015/16, together with the projected out-turn against the budget and the proposed budget for 2016/17.

Summary Position

- 3.12 Projected spending is expected to increase in 2015/16 compared to the Original Budget. This is mainly due to the increased utility costs.

Utility Costs

- 3.13 The projected figure for 2015/16 and base budget for 2016/17 reflects actual costs being incurred and compares to that charged 2014/15. The

charges to the JMC are based on an increase in the base tariff for both electricity and gas of over 30% since the commencement of the Contract.

- 3.14 The cost of gas and electricity are initially borne by the Contractor. However, the Contract allows for the Contractor to reclaim additional costs where consumption rises above a certain level or if the tariff increases beyond a base level as set out in the Contract.

Repairs and Maintenance

- 3.15 In previous years, additional maintenance costs have been incurred compared to that budgeted. The current budget of approximately £11,000 is coming under pressure in 2015/16 and additional liabilities are currently being assessed.
- 3.16 Approximately £30,000 of works has been identified and in particular the replacement of the Air Handling System, which has not been budgeted for. The JMC should consider carefully any additional costs and how the Council and the School will be able to provide sufficient resources for the work to be undertaken through the JMC.

Other Maintenance Costs

- 3.17 During 2014/15, the school incurred some further maintenance costs associated with the Leisure Centre of £19,563. These are yet to be charged to the JMC but were accrued in the accounts as a provision.

Contribution to Costs of the Artificial Grass Pitch (AGP)

- 3.18 The school has previously informed the Council that costs of £2,962 and £8,243 in 2013/14 and 2014/15 respectively have been incurred. These are yet to be charged to the JMC but have also been accrued in the accounts as a provision.
- 3.19 The overall settlement figures for the AGP are still to be agreed, including the requirement to set-up a Sinking Fund for replacements.

Share of Net expenditure

- 3.20 After allowing for the County Council contribution and other income, the contributions required from the funding partners, i.e. the District Council and the School, will be as follows:

Share of Net Expenditure	Actual 2014/15 £	Budget 2015/16 £	Projected 2015/16 £	Estimate 2016/17 £
South Derbyshire District Council (62%)	98,371	60,975	64,071	64,925
John Port School (38%)	60,292	37,371	39,270	39,792
	158,663	98,346	103,341	104,717

Etwall Leisure Centre - Income and Expenditure	Actual 2014/15 £	Budget 2015/16 £	Projected 2015/16 £	Estimate 2016/17 £
Repairs and Maintenance	19,927	11,280	11,000	11,280
Supplies and Services	0	2,000	500	2,000
Contribution to Utility Costs (Gas and Electricity)	28,234	7,000	17,800	18,000
Contribution to Sinking Fund	25,000	25,000	25,000	25,000
Contribution to Decommissioning Costs	5,000	5,000	5,000	5,000
Main Contractor Payment	60,899	62,411	62,411	62,411
Other Maintenance Costs - JPS - Provision Only	19,563	0	0	0
Insurance (2012 and 2013 only)	12,000	0	0	0
Artificial Grass Pitch - Provision Only	8,243	0	0	0
Vending Machine Lease (now terminated)	-2,020	0	0	0
Sub Total - Direct Running Costs	176,846	112,691	121,711	123,691
Central Support/Overheads				
Financial Services	4,407	5,336	5,336	5,403
Audit Fees	1,706	1,686	1,686	1,707
Legal Services	1,911	2,268	2,268	2,296
Procurement	2,010	1,678	1,678	1,699
Client Management	8,880	8,687	8,687	8,796
Sub- Total - Overheads	18,914	19,655	19,655	19,901
Gross Expenditure	195,760	132,346	141,366	143,592
Less - County Council Contributions	-33,097	-32,000	-34,025	-34,875
Less - Café income	-4,000	-2,000	-4,000	-4,000
NET EXPENDITURE	158,663	98,346	103,341	104,717
Shared				
South Derbyshire District Council (62%)	98,371	60,975	64,071	64,924
John Port School (38%)	60,292	37,371	39,270	39,792
	158,663	98,346	103,341	104,717