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| <b>REPORT TO:</b>              | <b>ETWALL LEISURE CENTRE JOINT MANAGEMENT COMMITTEE</b>  | <b>AGENDA ITEM: 3</b>   |
| <b>DATE OF MEETING:</b>        | <b>12<sup>th</sup> JANUARY 2022</b>  | <b>CATEGORY:</b>  |
|                                |  | <b>RECOMMENDED</b>  |
| <b>REPORT FROM:</b>            | <b>TREASURER TO THE JOINT COMMITTEE</b>  | <b>OPEN</b>   |
| <b>MEMBERS' CONTACT POINT:</b> | <b>KEVIN STACKHOUSE (01283 595811)</b><br><a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a> | <b>DOC:</b> U/KS/live files/Etwall JMC/budget reports/2022 budget report Jan 22 |
| <b>SUBJECT:</b>                | <b>INCOME &amp; EXPENDITURE 2021/22 AND PROPOSED BASE BUDGET 2022/23</b>   |   |
| <b>WARD(S) AFFECTED:</b>       | <b>ETWALL, HATTON, HILTON, NORTH WEST, REPTON &amp; WILLINGTON</b>   | <b>TERMS OF REFERENCE: HCS</b>  |

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## **1.0 Recommendations**

- 1.1 That the projected out-turn for 2021/22 is considered and noted.
- 1.2 That the estimates of income and expenditure for 2022/23 are approved.

## **2.0 Purpose of the Report**

- 2.1 To provide an update on the Leisure Centre's financial position for the current financial year 2021/22, together with submitting proposed estimates of income and expenditure for 2022/23.

## **3.0 Executive Summary**

- 3.1 Based on income and expenditure to-date, the net cost of operating the Leisure Centre will be below the Budget for 2021/22. This is mainly due to the lower cost of utilities.
- 3.2 Besides a small increase for inflation, there are no major changes to the Base Budget for 2022/23 compared to 2021/22.

## **4.0 Detail**

- 4.1 **Appendix 1** details the costs associated with the day-to-day operation of the Leisure Centre. The primary cost is the fixed payment to the contractor (Active Nation) in accordance with the management contract. Active Nation also work in partnership with the Council and the Academy to develop services and improve the health and well-being of local residents.

- 4.2 The net cost of the Centre is financed by South Derbyshire District Council and the John Port Spencer Academy in the proportion of 62% and 38% respectively. This is in accordance with the Joint Management Agreement between the parties.

### Summary Position

- 4.3 Net expenditure in 2021/22 is forecast to out-turn at approximately £25,000 lower than Budget. This is due to lower utility costs.

### Utility Costs

- 4.4 The cost of gas and electricity are largely met by Active Nation as the Management Contractor.
- 4.5 Under the Contract, the JMC contribute to these costs or receive a refund, should tariffs increase/decrease compared to a pre-determined baseline which is determined through a formula. This is also adjusted for usage.
- 4.6 The reason for this provision is to protect the Contractor from meeting significant increases in prices which may be outside of their control. Conversely, the JMC benefits where prices fall, or usage is lower.
- 4.7 In practice, there is usually an annual adjustment to make between the JMC and the Contractor, although it is never significant. Traditionally, the JMC's Budget allows a cost of £10,000 per year as a provision.
- 4.8 The base tariff in the Contract is higher than the current tariff and therefore this is likely to create a further credit to the JMC in 2021/22, which is currently estimated at approximately £14,000.

### Overheads

- 4.9 These are the costs that the District Council incur in managing the contractor and administering the JMC's Accounts. They can vary year to year depending on the actual costs incurred by the District Council and are a proportion of the overall costs incurred, split on an estimate of time spent.
- 4.10 The costs for 2021/22 and 2022/23 are lower compared to 2020/21 following a review of these costs as previously reported to the JMC.

### Net Expenditure

- 4.11 Overall, the net expenditure and contributions are summarised in the following table.

|   | <b>Actual<br/>2020/21<br/>£</b> | <b>Budget<br/>2021/22<br/>£</b> | <b>Projected<br/>2021/22<br/>£</b> | <b>Proposed<br/>Budget<br/>2022/23<br/>£</b> |
|---|---------------------------------|---------------------------------|------------------------------------|--|
| South Derbyshire District Council (62%) | 64,142                          | 64,534                          | 50,817                             | 65,828                                       |
| John Port Spencer Academy (38%)         | 39,313                          | 39,553                          | 31,146                             | 40,346                                       |
| <b>NET EXPENDITURE</b>                  | <b>103,454</b>                  | <b>104,087</b>                  | <b>81,962</b>                      | <b>106,175</b>                               |

## Sinking Fund and Decommissioning Costs

4.12 As part of the Budget, an annual contribution of £25,000 is made to a sinking fund to finance major replacements of plant and equipment. A contribution of £5,000 per year is also made to a decommissioning reserve.

4.13 As of 31 March 2021, the balance on the Sinking Fund was £136,000, with £35,000 in the Decommissioning Reserve. The contributions in 2021/22 will increase the balances to £161,000 and £40,000 respectively and to £186,000 and £45,000 respectively in 2022/23 if they are not utilised.

### APPENDIX 1

| <b>Etwell Leisure Centre - Income and Expenditure</b> | <b>Actual<br/>2020/21<br/>£</b> | <b>Budget<br/>2021/22<br/>£</b> | <b>Projected<br/>2021/22<br/>£</b> | <b>Proposed<br/>Budget<br/>2022/23<br/>£</b> |
|---|---------------------------------|---------------------------------|------------------------------------|--|
| Repairs and Maintenance                               | 26,249                          | 16,500                          | 16,500                             | 16,500                                       |
| Contribution to Utility Costs (Gas and Electricity)   | -6,113                          | 10,000                          | -14,253                            | 10,000                                       |
| 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                               | 32,336                          | 31,200                          | 31,986                             | 31,945                                       |
| Central Support Costs (Overheads)                     | 20,982                          | 16,387                          | 17,729                             | 17,729                                       |
| <b>Total Expenditure</b>                              | <b>103,454</b>                  | <b>104,087</b>                  | <b>81,962</b>                      | <b>106,175</b>                               |

| <b>Shared</b>                           | <b>Actual<br/>2020/21<br/>£</b> | <b>Budget<br/>2021/22<br/>£</b> | <b>Projected<br/>2021/22<br/>£</b> | <b>Proposed<br/>Budget<br/>2022/23<br/>£</b> |
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|   | <b>103,454</b>                  | <b>104,087</b>                  | <b>81,962</b>                      | <b>106,175</b>                               |