

<b>REPORT TO:</b>	<b>ETWALL LEISURE CENTRE JOINT MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 3</b>
<b>DATE OF MEETING:</b>	<b>11 JANUARY 2023</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> <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 23
<b>SUBJECT:</b>	<b>INCOME &amp; EXPENDITURE 2022/23 and PROPOSED BASE BUDGET 2023/24</b>	
<b>WARD(S) AFFECTED:</b>	<b>ETWALL, HATTON, HILTON, NORTH WEST, REPTON &amp; WILLINGTON</b>	<b>TERMS OF REFERENCE: HCS</b>

## **1.0 Recommendations**

- 1.1 That the projected out-turn for 2022/23 is considered and approved.
- 1.2 That the proposed budget for 2023/24 is 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 2022/23, together with submitting proposed estimates of income and expenditure for 2023/24.

## **3.0 Executive Summary**

- 3.1 Based on income and expenditure to-date, the net cost of operating the Leisure Centre will be approximately £5,000 above the Budget for 2022/23.
- 3.2 This is mainly due to the annual inflationary increase applied to the Contractor payment being higher than estimated, together with an increase in the cost of utilities.
- 3.3 In both cases, this reflects the rapid increase in inflation over the last 12 months and general price increases in energy costs.
- 3.4 Based on the current level of inflation and energy costs, which is likely to continue, it is proposed to increase the overall budget by approximately £10,000 in 2023/24.

## **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 2022/23 is forecast to out-turn at approximately £5,000 higher than Budget. This is due to inflation and the rising cost of energy prices.

### **Contractor Payment**

- 4.4 This has increased by approximately 8% in 2022/23 with a further increase of 10% proposed for 2023/24. This is based on inflation as at October 2022. The actual rate that will apply in 2023/24, will be the increase in inflation between February 2022 and February 2023, which is the anniversary of the Contract.

### **Utility Costs**

- 4.5 The cost of gas and electricity are largely met by Active Nation as the Management Contractor.
- 4.6 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.
- 4.7 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.
- 4.8 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. In recent years, the trend has been a credit returning to the JMC Account.
- 4.9 However, given the on-going increase in energy prices, it is likely that the JMC will need to contribute in 2022/23 and 2023/24. A smaller cost of just under £3,000 is currently estimated in 2023/24, with a cost of up to £10,000 over 2023/24. This will be kept under review.

### **Overheads**

- 4.10 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.

### **Net Expenditure**

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

<b>Shared</b>	<b>Actual 2021/22 £</b>	<b>Budget 2022/23 £</b>	<b>Projected 2022/23 £</b>	<b>Proposed Budget 2023/24 £</b>
South Derbyshire District Council (62%)	51,229	59,628	62,979	69,504
John Port Spencer Academy (38%)	31,399	36,546	38,600	42,599
	<b>82,628</b>	<b>96,175</b>	<b>101,579</b>	<b>112,103</b>

### **Planned Maintenance and Decommissioning Costs**

- 4.12 As part of the Budget, an annual contribution of £25,000 is made to a sinking fund to finance the replacement of major items of plant and equipment. A contribution of £5,000 per year is also made to a decommissioning reserve.
- 4.13 As at 31 March 2022, the balance on the Sinking Fund was £161,000, with £40,000 in the Decommissioning Reserve. The proposed contributions in 2022/23 will increase the balances to £186,000 and £45,000 respectively and to £211,000 and £50,000 respectively in 2023/24 if they are not utilised.
- 4.14 **Appendix 2** sets out the current schedule for the replacement of major items of plant and equipment for the period 2023 to 2028. The costs are based on an estimate of current prices and will fluctuate, especially with regard to current market conditions.
- 4.15 However, the schedule provides an indication of the planned replacements, at a current estimated cost of £130,000. This is less than the current balance on the Sinking Fund of £161,000, so this creates some contingency.
- 4.16 With the Fund set to increase with annual contributions, this also allows some provision to deal with any emergencies or urgent items and reprofiling of the programme, in addition to other upgrades of the Centre if required.

## APPENDIX 1

<b>Etwall Leisure Centre - Income and Expenditure</b>	<b>Actual 2021/22 £</b>	<b>Budget 2022/23 £</b>	<b>Projected 2022/23 £</b>	<b>Proposed Budget 2023/24 £</b>
Repairs and Maintenance	8,021	16,500	16,542	16,500
Contribution to Utility Costs (Gas and Electricity)	-7,690	0	2,814	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	31,709	31,945	33,801	37,181
Central Support Costs (Overheads)	18,338	17,729	18,422	18,422
Professional Fees	2,250	0	0	0
<b>Total Expenditure</b>	<b>82,628</b>	<b>96,175</b>	<b>101,579</b>	<b>112,103</b>

## APPENDIX 2

### ETWALL LEISURE CENTRE: PLANNED REPLACEMENT PROGRAMME (2023 to 2028)

#### 2023

Air Handling Unit (AHU) reception	Replacement	£10,000
-----------------------------------	-------------	---------

#### 2024

Pool top up	Replacement Pool top up system	£5,000
AHU's and ducting survey	Survey of all AHU and not including BMS system	£4,000
BMS survey	Survey current condition of BMS system	£4,000

#### 2025

AHU's unit	Swimming pool side replace inverters	£16,000
AHU's unit	Changing area - Replacement pending inspection.	£40,000

#### 2026

A/C Heat pump	Replacement of 2 of 6 Condensers plus internals Phase 1	£17,000
---------------	---	---------

#### 2027

A/C Heat pump	Replacement of 2 of 6 Condensers plus internals Phase 2	£17,000
---------------	---	---------

#### 2028

A/C Heat pump	Replacement of 2 of 6 Condensers plus internals Phase 3	£17,000
---------------	---	---------

**TOTAL** £130,000