

<b>REPORT TO:</b>	<b>ETWALL LEISURE CENTRE JOINT MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 5</b>
<b>DATE OF MEETING:</b>	<b>10 JANUARY 2024</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>CHARLOTTE JACKSON (01283 595901) Charlotte.jackson@southderbyshire.gov.uk</b>	<b>DOC: S/Finance/Etwall/joint committee reporting</b>
<b>SUBJECT:</b>	<b>INCOME &amp; EXPENDITURE 2023/24 AND PROPOSED BASE BUDGET 2024/25</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 2023/24 is considered.
- 1.2 That the proposed budget for 2024/25 is noted.

## **2.0 Purpose of the Report**

- 2.1 To provide an update on the Leisure Centre's projected financial position for the current financial year 2023/24, together with submitting proposed estimates for the revenue budget for 2024/25.

## **3.0 Executive Summary**

- 3.1 Based on income and expenditure to-date, the net cost of operating the Leisure Centre will be approximately £62,325 above the Budget for 2023/24.
- 3.2 This is mainly due to the utility benchmarking agreement with the current contractor Active Nation.
- 3.3 Annual inflationary increase of 12.5% was applied to the Contractor payment being higher than the estimated 10%.
- 3.4 Repairs and maintenance include £4.5k costs of planned works to the alarm system.
- 3.5 Based on the current level of inflation and energy costs, it is proposed to increase the overall budget by approximately £69,944 in 2024/25 to £78,043 as detailed in **Appendix 1**.

## **4.0 Detail**

4.1 **Appendix 1** details the costs associated with the day-to-day operation of the Leisure Centre.

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 2023/24 is forecast to out-turn at approximately £62,325 higher than Budget. This is mainly due to the energy tariff of the current contractor which is part of an energy benchmarking agreement.

4.4 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.

4.5 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.

### Contractor Payment

4.6 This has increased by 12.15% in 2023/24. The increase for the budget in 2024/25 is based on inflation as at October 2023 of 6.8%. The actual rate that will apply in 2024/25, will be the increase in inflation between February 2023 and February 2024, which is the anniversary of the Contract.

### 4.7 Utility Costs

4.8 The cost of gas and electricity are largely met by the Management Contractor.

### 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.

### Net Expenditure

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

	Actual 2022/23 £	Budget 2023/24 £	Projected 2023/24 £	Proposed Budget 2024/25 £
South Derbyshire District Council (62%)	145,543	70,744	172,432	114,109
John Port Spencer Academy (38%)	89,204	43,359	105,684	69,938
	<b>234,746</b>	<b>114,103</b>	<b>278,116</b>	<b>184,047</b>

4.10 It is to be noted that the current budget provision for 2024/25 is set using the assumption that current contractual arrangements stay in place. A report will be presented at the next Committee on the 24<sup>th</sup> April 2024, this will detail the new contractual arrangements and updated budget proposals following the agreement of the Leisure Services Tender.

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

4.11 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.

4.12 As at 31 March 2022, the balance on the Sinking Fund was £141,000, with £40,000 in the Decommissioning Reserve. The proposed contributions in 2022/23 will increase the balances to £166,000 and £45,000 respectively.

4.13 **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.

4.14 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 2022/23 £</b>	<b>Budget 2023/24 £</b>	<b>Projected 2023/24 £</b>	<b>Proposed Budget 2024/25 £</b>
Repairs and Maintenance	40,904	16,500	17,672	16,500
Contribution to Utility Costs (Gas and Electricity)	158,537	12,000	194,306	78,043
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	33,802	37,181	38,467	41,083
Central Support Costs (Overheads)	10,783	18,422	10,783	18,422
Professional Fees	-2,250	0	0	0
<b>Less sink fund draw down</b>	<b>-37,030</b>	<b>0</b>	<b>-13,112</b>	<b>0</b>
<b>Total Expenditure</b>	<b>234,746</b>	<b>114,103</b>	<b>278,116</b>	<b>184,047</b>

## APPENDIX 2

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

#### 2023

Air Handling Unit (AHU) reception	Replacement	£10,000
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#### 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
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#### 2027

A/C Heat pump	Replacement of 2 of 6 Condensers plus internals Phase 2	£17,000
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#### 2028

A/C Heat pump	Replacement of 2 of 6 Condensers plus internals Phase 3	£17,000
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**TOTAL** £130,000