

# **BUDGET AND PERFORMANCE PANEL**

## **Salt Ayre Sports Centre 25 September 2012**

### **Report of Financial Services Manager and Assistant Head of Community Engagement (Wellbeing)**

#### **PURPOSE OF REPORT**

To update Members with regard to the detailed income and expenditure and allocation of overheads at Salt Ayre Sports Centre.

**This report is public**

#### **RECOMMENDATIONS OF FINANCIAL SERVICES MANAGER AND ASSISTANT HEAD OF COMMUNITY ENGAGEMENT (Wellbeing)**

- (1) **That the report be noted and that Members consider any recommendations they would wish to make.**

##### **1.0 Introduction**

- 1.1 Following the previous report on Salt Ayre Sports Centre presented to the 12 June 2012 meeting Members resolved that:

*“A more detailed report on the finances of the sports centre be requested including income and expenditure for the last year.....”*

- 1.2 This report now provides Members with the additional information requested and explains the details behind the relevant income and expenditure headings. Further to that, it goes on to explain the allocation of management and administration costs across the relevant activity areas.

- 1.3 Before that however, it is important to reiterate that the provision of sports centres is discretionary and is made in support of the Council's Corporate Plan priority for Health & Wellbeing :

*“The Council intends to take action to improve health, for example, by providing access to sports and leisure activities.....”*

- 1.4 In addition, there are no requirements for these facilities to break-even, but the Council still needs to ensure that they operate as efficiently as possible to ensure Council Taxpayers money is being spent effectively. The review of Salt Ayre Sports Centre aims to assess all activities provided and determine where more efficiencies can be delivered, whether that be in terms of direct operational efficiencies or joint working initiatives with other partners. As and when they are identified they will be fed into the forthcoming 2013/14 budget process.

## 2.0 2011/12 Financial Performance – Salt Ayre Sports Centre

2.1 Attached at **Appendix A** is an analysis of the individual activity areas at Salt Ayre together with their respective income and expenditure for 2011/12. It should be noted at this point that for now, capital charges have been excluded from the costs on the basis that they are notional costs and as such do not impact on Council Tax. To what extent ‘the cost of capital’ should be reflected in Salt Ayre’s pricing policy, is a matter that will be addressed later in this review. For now, the focus is predominantly on operational ‘cash’ costs of the sports centre.

2.2 Table 1 sets out the individual activities at the centre and the far right column shows that for 2011/12 the net cost was £939,644. In summary, the total income and expenditure can be broken down as follows :

2011/12	Budget	Actual	Difference
Employees	£879,700	£832,400	-£47,300
Premises	£546,600	£487,554	-£59,046
Transport	£25,100	£16,750	-£8,350
Supplies & Services	£250,100	£252,143	+£2,043
Support Services	£363,600	£259,531	-£104,069
<b>Total Expenditure</b>	<b>£2,065,100</b>	<b>£1,848,378</b>	<b>-£216,722</b>
Income	-£967,200	-£908,734	+£58,466
<b>Net Cost</b>	<b>£1,097,900</b>	<b>£939,644</b>	<b>-£158,256</b>

2.3 The table above shows that the centre made a saving of £158K in last year against the budget, however £104K of this related to support service recharges which had been allocated on a more up to date basis following a detailed review. Overall then, excluding this variance, the direct operational saving was £54K.

## 3.0 Income and Expenditure

3.1 It is also important to understand the detail behind the income and expenditure headings shown in this table, and this is set out below.

### **Employees**

This covers the cost of all staff directly employed at the centre, including basic pay, overtime, national insurance, pension costs and any training costs required. Where possible staff costs are directly allocated to the activity they work in, i.e. Reflexions, swimming or the café. All other staff that cannot be directly allocated are charged to the Management & Administration account.

### **Premises**

This covers all the maintenance, energy, water, rates, insurance and cleaning costs associated with the centre.

### **Transport**

The main cost relates to the minibus used for school swimming.

### ***Supplies and Services***

This covers a wide range of spend on equipment renewals, clothing and uniforms, trade refuse, general office expenses, security services, telephones, and materials for resale. Where practical these costs will be allocated directly to the relevant activity area.

### ***Support Services***

Support service recharges are received from other services who provide support to the centre, either in the form of a direct service or officer time. Services provided are for example, processing payroll and creditor payments by Finance and the provision of ICT systems and infrastructure. Officer time will cover other management support from within Community Engagement. These costs are all charged to the management and administration account.

### ***Income***

Income is allocated directly to the activity it relates to. Fees and charges are reviewed annually and increased accordingly taking on board inflation, demand and competition for the activity.

## **4.0 Cost Allocations**

- 4.1 The first table in Appendix A shows the current outturn position for 2011/12 for each of the activities at the centre. However, as can be seen, the majority of the costs (£1.476M) are all contained within the management and administration account. This is because it is not possible to directly charge these costs to specific areas as they cover a range of activities. For example, heating and lighting will cover the whole centre.
- 4.2 That being said, this does create a distorted picture if you are trying to assess performance on an activity by activity basis. For example, table 1 shows that swimming generated a surplus of £227,131 last year. However, this does not include any premises costs for heating, lighting and water, pool attendants or other general management costs as they're all contained in the management and administration account.
- 4.3 In order to rectify this position, officers from within Community Engagement and Finance have worked together to determine suitable methods for allocating the management and administration costs across the range of activities provided by the centre.
- 4.4 Clearly this is a subjective process and will always need to be undertaken with a view to balancing the detail behind the allocations with the benefit derived from such a process.
- 4.5 The three main drivers chosen for allocating costs were as follows:
  - Employees - percentage allocation
  - Planned and reactive repair & maintenance - based on previous years spend
  - All other costs - based on area (m<sup>2</sup>)

The resulting allocations are shown in Table 2 of Appendix A.

- 4.6 This now shows that swimming for example actually cost £632,912 as opposed to generating a surplus of £227,131, when all costs are fully allocated. However, it should be noted that these are relatively basic allocations and will be refined further. For the time being however, they are a good starting point to consider the performance of each activity in combination with customer throughput data. This in turn can be used to compare with national benchmarking statistics.

## 5.0 Conclusion

- 5.1 The full allocation of costs to individual activities is an important step in any review process. However, it should not be viewed in isolation as cost appraisal is only one aspect as there are other factors to be considered such as the health and wellbeing benefits operations such as a sports centre can delivery. That being said, they must still operate as efficiently as possible to ensure public money is being spent effectively.

<b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None arising from this report	
<b>LEGAL IMPLICATIONS</b> None arising from this report	
<b>FINANCIAL IMPLICATIONS</b> None directly arising from the report.	
<b>OTHER RESOURCE IMPLICATIONS</b> <b>Human Resources / Information Services / Property / Open Spaces:</b> None arising from this report	
<b>SECTION 151 OFFICER'S COMMENTS</b> This report provides an update on progress, although there is still significant work to do to appraise fully the cost base for Salt Ayre, to inform future pricing policy.	
<b>MONITORING OFFICER'S COMMENTS</b> In the absence of the Monitoring Officer the Deputy Monitoring Officer has been consulted and has no comments to make on this report.	
<b>BACKGROUND PAPERS</b>	<b>Contact Officer:</b> Andrew Clarke, Financial Services Manager <b>Telephone:</b> 01524 582138 <b>E-mail:</b> <a href="mailto:ac Clarke@lancaster.gov.uk">ac Clarke@lancaster.gov.uk</a>