

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Corporate Services Committee: 27 June 2007

Subject: Antonine Sports Centre

1. Purpose

- 1.1** The purpose of this report is to provide Committee with an update on the financial stability and viability of the Antonine Sports Centre.

2. Background

- 2.1** The Corporate Services Committee in January 2007 approved alternative funding of £51,950 for the Antonine Sports Centre to allow the organisation to purchase gym equipment and repay the Council over a number of years. This is due to be repaid by the Centre over 5 years and will firstly be deducted annually from any grant funding the Council may provide to the Centre.
- 2.2** At this Committee meeting, Members asked for additional financial information regarding the Centre to be reported for future discussion and review.
- 2.3** The Council acts as guarantor for a loan that the Centre has at present (valued at £272,000 with an available unit trust of £120,000 against it). The loan has been running for a number of years and is due to be completed in approximately 8 years. As guarantor, if the Centre ceased trading, the Council would be liable to the value of the outstanding loan.
- 2.4** The Antonine Sports Centre applies for grant funding from the Council each year for general running costs. The grant funding provided for this is usually approximately £50,000 per annum (a summary is shown within Appendix 1).
- 2.5** In the past 18 months, the Centre has approached the Council on 3 additional occasions for funding of one-off items (gym flooring £40,743.13; £10,000 boiler and £51,950 gym equipment).
- 2.6** The grant application for annual running costs for 2007/08 has now been received and the Centre is asking for £60,000 (£10,390 to be deducted at source for repayment as noted in 2.1). Cashflow 'near' actuals for 2006/07, draft forecast 2007/08 and actual forecast April 2007 have now been received and reviewed. This is summarised for members in Appendix 2.

2.7 The Centre has also provided analysis for a survey recently carried out to provide information required to take forward a strategy to increase income sources from usage.

2.8 Since April 2007, the Centre has approached the Council for interim funding due to severe cashflow constraints (the first annual instalment of grant funding is usually paid in April), pending the outcome of the grant application being reported to Committee. It was agreed under delegated powers to give the Centre an interim payment of £9,902.50.

3. Main Issues

2006/07 Cashflow

3.1 Appendix 2 identifies that it was forecast that the Centre was likely to come in with a slight deficit in 2006/07 and in fact it achieved a surplus of £5,383.

3.2 Removing the effects of the one-off grant funding and the linked expenditure, this was due to a reduction in expenditure in areas such as staff costs, insurances and the health suite. This is partially offset by income collected being lower than forecast.

3.3 The reduction in the health suite expenditure was due to the new equipment being bought through Council funding and no longer requiring to pay rental for the old equipment for the last few months of 2006/07. With reference to the cashflow information, the purchase of the new equipment should reduce the Centre's outgoings by approximately £14,000 per annum, which should allow the Centre to repay the Council for the outstanding monies (noted in 2.1) at £10,390 per annum with no detrimental effect to the Centre.

3.4 Income received during 2006/07 was lower than anticipated. This was directly affected during the year by a number of one-off issues, such as the installation of new flooring and the breakdown of the boiler which limited facilities at specific periods of the year. It is anticipated that the new health suite equipment in January will provide further increased income in future months.

2007/08 Draft Cashflow

3.5 The initial cashflow provided to the Council (summarised in Appendix 2) forecasts that the Centre will breakeven during 2007/08. When comparing this cashflow to the actual results of 2006/07, there are a number of significant changes expected in costs and income.

3.6 Expenditure:

- (a) Removing the one-off payments from 2.1 above, in 2007/08 the Centre is anticipating an increase in expenditure from 2006/07 of almost £28,000. This is mainly due to staff costs (anticipated increase by nearly 13%) and a significant increase in gas and electricity costs due to the end of a long running contract. In reviewing April's actual cashflow, both expenditure areas are showing significant favourable variances against budget and, as such, these lines may prove to be over estimated in future months.
- (b) The Centre has either anticipated an additional £10,000 from Council funding or not included the repayment of the outstanding debt for gym equipment to reach the breakeven position. If this was duly included, the Centre has a deficit to fund.

3.7 Income:

- (a) Removing the one-off income from 2.1 above, in 2007/08 the Centre is anticipating an increase in income from 2006/07 of approximately £22,000 mainly due to an increase in lets (4% in line with inflation) and the health suite (anticipating an increase from 2006/07 actual of 41%).
- (b) Taking account of the actual 2006/07 income for the health suite being lower than originally anticipated, the increase in the level of income seems optimistically high which poses a significant cashflow risk if the Centre does not match this income level. However, consideration should be given to the old -v- new equipment. The Centre has also had recent leaflet drops and completed a customer survey which action has been taken against to increase local knowledge of the Centre and ultimately usage (e.g. road signage; open day events; newspaper advert; further leaflet drops and other internal promotions). This is currently being monitored.
- (c) The Centre has also increased its partnership working with organisations such as Robertson Trust, Netball Scotland, the Council's sports development team and Active Schools. This will create additional expenditure but will bring in additional income and may increase knowledge and usage of the Centre beyond its current boundaries.

2007/08 Cashflow to date

- 3.8 The Centre provides the Council with actual cashflow information on a monthly basis. The cashflow for April 2007 has been received and analysed. At first glance it would appear that there are favourable variances in expenditure (as noted in 3.6(a)) and that income is significantly down on budget. The Centre has confirmed that additional monthly income was due in for April but not banked until early May. As yet the Council has not received the cashflow figures for May 2007 to confirm this.

- 3.9 April 2007 highlights a deficit in the cashflow of approximately £2,000.

Business Plan

- 3.10 From the customer survey, the Centre has brought together a draft business plan to take forward the marketing strategy to increase usage and knowledge of the Centre and ultimately increase the income. This is in draft currently and the action plan and effects of this plan will be discussed with the Centre and monitored by the Council regularly during 2007/08.

4. Financial implications

- 4.1 The Centre has applied for a grant of £60,000 from the Council to cover the running costs during 2007/08. Of this grant funding £10,390 would be deducted at source in order to make a repayment of the money loaned by the Council to buy gym equipment.

- 4.2 An interim payment of £9,902.50 has already been given to the Centre.

5. Personnel Issues

- 5.1 There are no personnel issues.

6. Risk Analysis

- 6.1 No risk analysis was required.

7. Conclusions

- 7.1 The Centre made a surplus in 2006/07 of £5,383.

7. The Centre has applied for grant funding of £60,000 for running costs - £10,000 more than received in previous years. With this level of funding, the Centre expects to breakeven over 2007/08.

- 7.3 The Centre's cashflow for 2007/08 seems optimistic in respect of some income levels. This appears to be compensated by potentially higher than likely expenditure levels.

- 7.4 The Centre has a difficult and challenging period ahead to stabilise its cashflow position on a longer term basis. The Centre has started to make strategic moves to help this position.

- 7.5 The Council has given the Centre an interim payment of £9,902.50 to date for 2007/08.

8. Recommendations

8.1 The Committee is invited to:

- (a) Agree to offer grant funding totalling £50,000 for 2007/08 (£10,390 to be deducted at source for repayment of loan). This should be payable in quarterly instalments of £9,902.50, taking due note of the interim payment already paid out of £9,902.50 for the first quarterly instalment.**
- (b) Note that officers will continue to monitor the Centre's cashflow regularly and a report will be brought back to the Committee if the cashflow situation during the year warrants this.**

**David McMillan
Chief Executive
Date: 11 June 2007**

Wards Affected: Wards 4 and 5

**Appendices: Grant funding history
Cashflow information**

Background Papers: Grant application summary information

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