

REPORT TO: Cabinet Member, Leisure and Tourism
Overview and Scrutiny Committee
(Regeneration and Environmental Services).

DATE: 2nd December 2009
5th January 2010

SUBJECT: Revenue and Capital Expenditure Monitoring
to 30th September 2009 – Leisure Services
Department

WARDS AFFECTED: All

REPORT OF: Leisure Director – Graham Bayliss
Finance & IS Director – Paul Edwards

CONTACT OFFICERS: Steve Deakin – 0151 934 2372
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EXEMPT / CONFIDENTIAL: No

PURPOSE / SUMMARY:

To provide the Cabinet Member with the first six months forecast position, based on information as at the 30th September 2009, in relation to the Portfolio's 2009/10 Revenue Budget.

REASON WHY DECISION REQUIRED:

Cabinet Member accountability and in line with the corporate performance management process.

RECOMMENDATIONS:

That the Cabinet Member Leisure and Tourism:

- a) Notes the progress on the Leisure Services Portfolio's revenue budgets that are subject to risk-based monitoring.
- b) The Cabinet Member is asked to indicate whether any comments about the overall performance of this Portfolio's Revenue Budget and schemes within the Capital Programme should be referred to Cabinet.

That Overview and Scrutiny (Regeneration and Environmental Services)

- c) Notes the contents of the report and indicates whether any comments about the overall performance of the Leisure Services Revenue Budget and schemes within the Capital Programme should be referred to Cabinet.

KEY DECISION: No.

FORWARD PLAN: Not appropriate.

IMPLEMENTATION DATE: Not appropriate.

ALTERNATIVE OPTIONS:

None.

IMPLICATIONS:

Budget/Policy Framework: None.

Financial:

The report to the end of September identifies a potential overspend on the Leisure Services budget of circa £170,000, due to increased utility costs. This excludes potential increased water costs of £130,000, which is not yet finalised, and increased NNDR costs as they are subject to appeal.

<u>CAPITAL EXPENDITURE</u>	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Gross Increase in Capital Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure	170,000	N/a	N/a	N/a
Funded by:				
Sefton funded Resources				
Does the External Funding have an expiry date Y/N			When?	
How will the service be funded post expiry?				

Legal: Not appropriate.

Risk Assessment: Not appropriate.

Asset Management: Not appropriate.

CONSULTATION UNDERTAKEN/VIEWS

FD238. THE FINANCE AND IS DIRECTOR HAS BEEN CONSULTED AND HIS COMMENTS HAVE BEEN INCORPORATED INTO THIS REPORT

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Creating Safe Communities		✓	
3	Jobs and Prosperity		✓	
4	Improving Health and Well-Being		✓	
5	Environmental Sustainability		✓	
6	Creating Inclusive Communities		✓	
7	Improving the Quality of Council Services and Strengthening local Democracy	✓		
8	Children and Young People		✓	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

1. Background/Issues for consideration

- 1.1 In accordance with Cabinet's overall approved process for monitoring the Council's budgets, each Portfolio is to receive a quarterly report identifying risk-assessed controllable Revenue and Capital budget areas.
- 1.2 This report forms part of that overall monitoring process by advising the Cabinet Member of the progress against this Portfolio's revenue budget risk areas for the period ending 30th September 2009. Where budget pressures have been identified, Service Directors have reviewed their departmental budgets for compensating savings. Departments have also been asked to consider whether or not all other controllable budgets can be contained with the resources allocated by the Council for 2009/10.
- 1.3 At the Overview and Scrutiny Committee (Health and Social Care) meeting on 13 October 2009, a request was made to amend the format of the budget monitoring report. This proposal is being put forward to the Overview and Scrutiny Management Board for consideration and any amendments resulting from this will be reflected in future budget monitoring reports.

2. Revenue Budget

- 1.1 Details of this portfolio's budgets that are monitored and reported on the risk-assessed basis are shown in Annex A.
- 1.2 Comments on potential over/ under spending:

Employees Costs - The Department will this year struggle to meet its vacancy management target of £220,850. There has been little movement in terms of staff turnover and this is expected to continue into 2009/10. The Department will make every effort to meet the budget for employees.

Utilities – The Department is projecting an overspend on utility costs of circa £170,000. Although an exercise is currently being undertaken by the Finance and IS Director to look at energy costs, it is unlikely that there will be any realignment of energy costs across Departments. In addition a new 'water run off' charge has been imposed by the water authority, which is estimated to be circa £130,000. This has not been included in the overall figure as bills are still being received and being challenged so the likely impact will be subject to further investigation. The impact of this new charge will be reported early in 2010.

National Non Domestic Rates - A number of leisure properties have been reassessed for NNDR, which has resulted in an increase in business rates payable. The increases in costs are £168,115 for which there is no provision. This has not been included in the overall figure as it is under appeal. In addition two new facilities have been added to the Departments portfolio, Crosby Lakeside Adventure Centre, and The Meadows, for which we still await the rate assessments.

Spending Freeze – The Cabinet Member will be that the Council introduced a spending freeze in May to mitigate against some of the increased costs being incurred. As a result only essential, externally funded or health and safety related expenditure is being undertaken. This should result in an underspend on most budgets, to help offset any overspends in other areas.

Sports Centre Income – The income is currently projected to over achieve by £117,000. However if the recession deepens there is likely to be a knock on effect in the amount of income that can be generated as competition from all sectors increases. At present it is estimated that the worst-case scenario could be a reduction in income of £200,000. However, the sports centres have had a very good half year with income higher than anticipated, as the year progresses it is unlikely that this trend will continue, and income levels will be continually monitored.

Arts and Cultural Services Income – The proposed development of the Southport Cultural Centre will affect income. As the project proceeds further more detailed information will become available on the expected impact.

- 2.3 Every effort will be made to ensure that the Leisure Services budget is contained within the budget allocated for 2009/10. Any additional budget pressures that arise during the year will be brought to the attention of the Cabinet Member at the appropriate time.

3. Capital Programme

- 3.1 Attached at Annex B is the current Leisure Services capital programme. This programme takes account of slippage from 2008/09 and any revised requirements for individual schemes. Actual expenditure of £3.885m (col.4) has been achieved in the first six months of the year. This is 36% of the total forecast expenditure for the year of £10.706m (cols. 4 and 5). Forecast expenditure for the remainder of the year is £6.821m (col.5).

- 3.2 Major schemes included within the programme include:-
1. Southport Leisure Pool Visitor Attraction £9.13m
 2. Maghull Leisure Centre £8.35m
 3. Netherton Activity Centre £5.2m
 4. Hesketh Park Restoration £2.24m
 5. Flue Gas Filtration Work at Southport Crematorium £1m
 6. Derby Park Refurbishment £0.93m

- 3.3 Progress on the Major Capital Schemes, as listed above:-

1. This is the retention payment due to the contractor following the expiry of the defects liability period. This payment will be finalised by October 2009.
2. The new facility at Maghull (The Meadows), is on schedule to be handed over to the Council on 20th November 2009.
3. The designs for the development of this new facility have been finalised and a planning application will be submitted in November 2009.

4. This is the retention payment due to the contractor following the expiry of the defects liability period.
5. Some pre-development work has been undertaken, however the work on Flue gas emissions has not yet begun.
6. This is the retention payment due to the contractor following the expiry of the defects liability period

4. Recommendations

That the Cabinet Member Leisure and Tourism:

- a) Notes the progress on the Leisure Services Portfolio's revenue budgets that are subject to risk-based monitoring.
- b) The Cabinet Member is asked to indicate whether any comments about the overall performance of this Portfolio's Revenue Budget and schemes within the Capital Programme should be referred to Cabinet.

That Overview and Scrutiny (Regeneration and Environmental Services)

- c) Notes the contents of the report and indicates whether any comments about the overall performance of the Leisure Services Revenue Budget and schemes within the Capital Programme should be referred to Cabinet.

Leisure Services Department Revenue Budget Risk Areas to 30th September 2009

ANNEX A

Ref	Service	Budget	Full Year Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Outturn Variance Sept £000
	Expenditure							
	All Department	Employee Costs	10,130,600	5,065,343	4,943,862	-121,481	10,180,000	49,400
	All Department	Repair & Maintenance	1,136,850	568,424	315,967	-252,457	960,500	-176,350
	Sports Services	Crosby PFI Unitary Charge	1,087,400	543,700	459,277	-84,423	1,087,400	0
	All Department	Electricity, Gas and Water	1,133,500	566,742	875,138	308,396	1,263,500	130,000
	Income							
	Sports Services	All income	-2,452,500	-1,226,248	-1,114,947	111,301	-2,570,000	-117,500
	Parks	All income	-213,800	-106,908	-109,522	-2,614	-213,800	0
	Golf Course	All income	-335,800	-167,904	-262,983	-95,079	-335,800	0
	Cems & Crems	All income	-1,820,900	-910,454	-720,359	190,095	-1,820,900	0
	Arts & Culture	All income	-501,300	-250,658	-219,551	31,107	-370,000	131,300

Proportion of budget reported upon	Expenditure £'000	Income £'000
Total key areas of budget	13,488,350	-5,324,300
Total Departmental budget	28,228,950	-10,489,750
Percentage of total budget reported	47.78%	50.76%

Comments on Key Budget Areas (Including Remedial Action).

Employees Costs - The Department will this year struggle to meet its vacancy management target of £220,850. There has been little movement in terms of staff turnover and this is expected to continue into 2009/10. The Department will make every effort to meet the budget for employees. The employee budgets include an over provision following the agreement of the 2009/10 JNC pay award. The budgets have not been altered pending the officer led review of existing overspends and opportunities to address the overall overspend.

Repair and maintenance

As a result of the spending freeze only essential repairs are being carried out. This is expected to result in an underspend of £176,000

Utilities -

An exercise is currently being undertaken by the Finance and IS Director to realign energy costs over Departments. This will require the movement of budgets for gas and electricity between Departments based on information provided by the energy team and it is not expected that there will be any overspend. In relation to water costs a new 'run off' charge has been imposed by the water authority which is likely to be a significant figure for Leisure, however, bills are still being received and will be challenged so the likely impact will be subject to further investigation.

Sports Centre Income

If the recession deepens there is likely to be a knock on effect in the amount of income that can be generated as competition from all sectors increases. At present it is estimated that the worst-case scenario could be a reduction in income of £200,000. However, the sports centres have had a very good first three months of the year with income higher than anticipated, as the year progresses it is unlikely that this trend will continue, and income levels will be continually monitored.

Cemeteries and Crematoria Income – The national fall in death rate is having an effect on the ability of the service to meet its income targets. This is entirely uncontrollable as the service is entirely demand led. At this early stage of the year it is difficult to predict income levels.

Arts and Cultural Services Income – The proposed development of the Southport Cultural Centre will affect income. As the project proceeds further more detailed information will become available on the expected impact.

Crosby PFI Unitary Charge – As part of the national PFI arrangements independent auditors must undertake a 5 year performance review which should be concluded by the end of August 2009. Any revision to the unitary charge will take effect from the 1st February 2010 to 31st January 2015. As soon as the review is completed a report will be brought to the Cabinet Member.

Corporate Savings – Corporate savings of £58,400 contribute further pressure to the budget and as yet have not been identified within the Departmental budget. These savings will need to be considered within the light of the overall budgetary pressures on the Department. Every effort will be made to mitigate the effect of the above pressures but this may mean that this can only be achieved with significant reductions in service provision. For this reason options to deal with budget pressures will be presented in future monitoring reports.

METROPOLITAN BOROUGH OF SEFTON

ANNEX B

CAPITAL PROGRAMME 2009/10 - 2012/13

LEISURE SERVICES

1	2	3	4	5	6	7
REF. NO.	PROJECT DESCRIPTION	EXPEND	EXPEND IN 2009/10		FUTURE EXPEND	TOTAL COST
		TO	TO	FORECAST		
		31.3.2009	31.09.09	BALANCE		
		£'000	£'000	£'000	£'000	£'000
	<u>Leisure - General</u>					
1	Old and Completing Schemes	3,374.41	0.36	80.55	0.00	3,455.32
2	Hesketh Park	2,086.07	5.23	147.75	0.00	2,239.05
3	Maghull Leisure Facility	29.63	0.00	44.28	0.00	73.91
4	Maghull Leisure Centre	2,652.84	3,119.99	3,423.26	150.00	8,346.09
5	Southport Leisure Pool Visitor Attraction	9,002.27	3.47	129.26	0.00	9,135.00
6	Derby Park Refurbishment	874.77	1.00	53.88	0.00	929.65
7	Roof repairs to libraries	13.64	33.01	156.99	21.36	225.00
8	Repairs / refurbishment of park lodges	0.00	37.37	87.63	0.00	125.00
9	Hesketh Park Office / visitor centre	0.00	0.00	0.00	50.00	50.00
10	Crosby Coastal Park	0.00	0.00	200.00	0.00	200.00
11	Waterloo Judo Club	524.67	0.63	28.35	0.00	553.65
12	Netherton Activity Centre	176.21	72.40	1,327.60	4,023.79	5,200.00
13	Southport Sports Park Contribution	0.00	0.00	382.00	0.00	382.00
14	Botanic Gardens Museum, Roof and Lift	0.00	0.00	375.00	0.00	375.00
15	Flue Gas Filtration Work at Southport Crematorium	3.00	138.59	858.19	0.00	999.78
16	Southport Cultural Centre	0.00	459.49	240.51	0.00	700.00
17	Free Swimming Initiative	43.30	13.74	27.03	0.00	84.07
18	Duke Street Play Area, Formby	0.00	0.00	90.50	0.00	90.50
19	Sculpture at Shore Rd Traffic Island	0.00	0.00	53.00	0.00	53.00
20	Brown Lane Allotments	0.00	0.00	50.00	0.00	50.00
21	Bootle Cemetery Improvements	0.00	0.00	65.00	0.00	65.00
	Total Leisure Services	18,780.81	3,885.28	6,820.78	4,245.15	33,732.02