

SUBJECT:	FARNHAM PARK CHARITY BUDGET 2019/20
RESPONSIBLE OFFICER:	Director of Resources – Jim Burness
REPORT AUTHOR:	Jim Burness (jim.burness@chilternandsouthbucks.gov.uk)
WARD/S AFFECTED:	N/a

1. Purpose of Report

- 1.1 To consider the draft budgets for the Charitable Trusts activities for 2019/20, including the proposed fees & charges.

RECOMMENDATIONS from the Panel and Cabinet to Council that the following be agreed:

1. The overall operating budget shown in para 3.9.
2. The fees and charges in Private Appendix A.

2. Background

- 2.1 The operations of the Charity divide into two areas, 1) the Golf course and the ancillary catering activities, and 2) the Playing Fields. The budget information is organised to show the operational costs and income of these two elements. The golf and playing fields are supported by a single service team that operates across both elements, and the course and playing fields are maintained by a single grounds maintenance team.

3. Operating Budget 2019/20

- 3.1 The following table summarises the overall budget changes for golf operation, and the changes from the 2018/19 budget. Negative figures equate to savings or surpluses.
- 3.2 The main points to note are:
- Salaries have been inflated by the agreed increase of 2% resulting in an increase in employee expenses of £10,000
 - The mowers and aerator currently in use at the Trust are old and expensive to maintain. Therefore the 2019/20 Course Maintenance budget includes an additional £30,000 for leasing costs for replacement vehicles. This is offset by a £7,500 saving for vehicle repairs.
 - The budget for Green fee income has been reduced by £8,000 to reflect the degree to which weather has affected income in recent years.
- 3.3 Overall the golf operation is estimated to make an operating surplus of £96,523.

	Golf					
	Golf Mgt	Golf course	Golf Shop	Catering	Course Maint	Total
Budget 2018/19	147,952	-465,300	-10,800	-18,300	234,074	-112,374
Staff cost changes	6,550	-	-	7,490	-4,470	9,570
Expenditure changes	-5,760	5,620	-1,200	-2,400	24,020	20,280
Changes in Golf Mgt / GM recharges	-5,697	-	-	-	-22,832	-28,529
Income changes	-3,000	7,400	2,000	300	7,830	14,530
Budget 2019/20	140,045	-452,280	-10,000	-12,910	238,623	-96,523

- 3.4 The proposed fees for 2019/20 that have been assumed within the budgets are appended to the report, and these will need to be agreed by the Panel for formal adoption by the Council.
- 3.5 The majority of green fees have been increased by £1 on 2018/19 prices. Fees for club members and societies have increased by 50p.
- 3.6 Any increases in prices proposed are made in reference to other local golf courses, as usage is price sensitive.
- 3.7 The Playing Fields operational budget is summarised below. The reduction in expenditure is due to a reduction in utility costs as a result of having closed buildings due to dilapidation and it being uneconomic to undertake the necessary works to make them operational.

Farnham Park Playing Fields	
Budget 2017/18	87,704
Expenditure changes	-4,300
Change in share of Golf Mgt / Grounds Maint	28,529
Income changes	-
Budget 2018/19	111,933

- 3.8 The preceding tables show the Charity's operational budget position. The overall financial position has to include the following non-operational costs:
- Interest on the financing of the Clubhouse redevelopment
 - Asset charges / depreciation
 - Support service recharges from the Council.
- 3.9 The overall position, including the non-operational costs is as follows.

	Golf	Playing Fields	2019/20 Total	2018/19 Total
Net Operating Budget	-96,523	111,933	15,410	-24,670
Interest	36,670	-	36,670	33,640
Asset charge	63,830	10,360	74,190	76,140
Support Service Costs	18,000	9,600	27,600	37,000
2019/20 Budget	21,978	131,893	153,870	
2018/19 Budget	12,946	109,164	122,110	

- 3.10 The table illustrates that the non-operational costs of £138,460 change the small operating deficit of £15,410 into an accounting deficit of £153,870. Within the overall figure it can be seen that the Golf activity makes a small accounting loss. The main deficit arises as a result of the costs of operating the Playing Fields.
- 3.11 The table below shows the breakdown of the Trust costs over the main types of expenditure and income.

2017/18 ACTUALS	SUBJECTIVE ANALYSIS	2018/19 BUDGET	2019/20 BUDGET
£		£	£
545,055	Direct Employee Expenses	548,950	559,120
14,023	Indirect Employee Expenses	11,840	8,600
90,975	Premises Related Expenses	112,360	105,120
33,863	Transport Related Costs	38,660	32,970
284,463	Supplies & Services	279,950	311,500
968,379	Running Expenses	991,760	1,017,310
(856,156)	Income	(959,100)	(949,400)
(56,790)	Recharge to SB County Park	(57,330)	(52,500)
55,433	Net Running Expenses	(24,670)	15,410
31,516	Loan Interest	33,640	36,670
93,847	Depreciation	76,140	74,190
38,201	Support Recharge from SBDC	37,000	27,600
218,997	Net Expenditure	122,110	153,870

4. Risks and Issues

- 4.1 The main risks facing the operation are as follows:
- Weather has a major effect on golf income, especially during the peak season, March to October. The impact of this has been illustrated when the performance to date in 2018 is compared to that of 2017 when the usage was significantly impacted by the weather in certain months.
 - The state of the buildings on the playing fields site mean there are risks of unbudgeted landlord maintenance costs, or they become unviable to use. The site is also vulnerable to vandalism and unauthorised incursions.
 - Income risks from tenants of playing field leases and pitch hire.
- 4.2 The financial information makes very clear that the cost of the Playing Fields is the major challenge facing the Charity. This is added to by the fact that all the buildings on the site, with the exception of the greenkeepers compound, are approaching or at the end of the useful lives, and need replacing in the near future.

- 4.3 It is highly unlikely that the Playing Fields would ever be a facility that could be operated at nil cost. Even if the facility was reduced to just a softball venue and the remained as public open space with minimal maintenance, there would be a material cost to the Charity/Council in the order of £64k.
- 4.4 This is the key issue for the Council, as it is not a viable option to believe that the golf course can generate sufficient surplus after interest and depreciation, to cover the costs of the playing fields even if they were just used as public open space, and thereby avoiding any cost to the council tax.
- 4.5 The Open Space Needs survey undertaken by the Council during 2017 highlighted the opportunities for the provision of public leisure that the playing fields offer. However these opportunities could only be realised by significant investment by the Council into the facilities to rationalise facilities and introduce additional income streams.

Background Papers:	None
---------------------------	------