

SUBJECT:	FARNHAM PARK
REPORT OF	Director of Resources
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WARD/S AFFECTED	N/a

1. Purpose of Report

- 1.1 The Audit Committee has requested that the Overview & Scrutiny Committee examine the issues related to the operation of the Farnham Park leisure facilities provided under the remit of the Farnham Park Charitable Trust in the light of its concerning financial performance.

RECOMMENDATIONS

The Committee:

1. Notes and comments on the issues raised by the report.

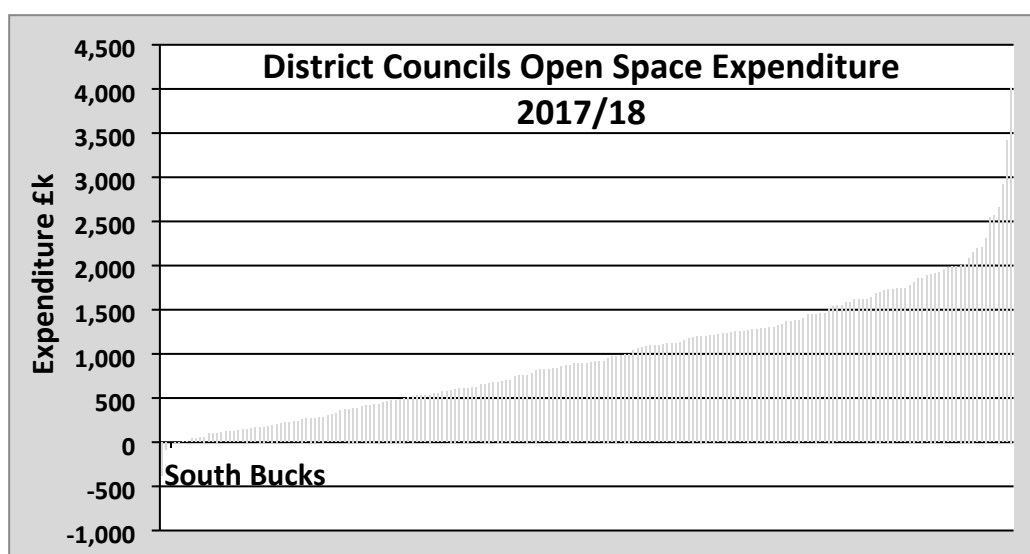
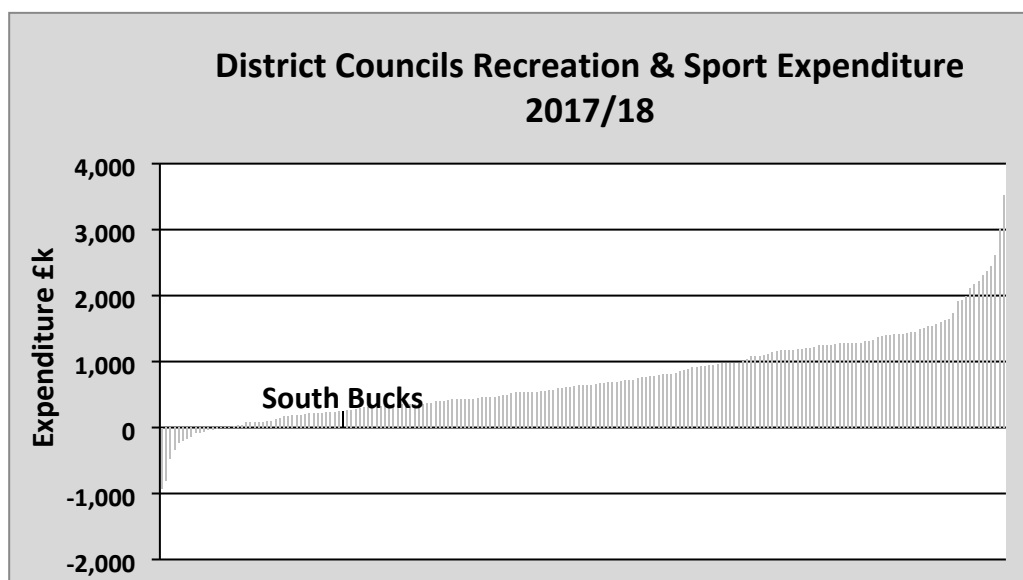
2. Background

- 2.1 The operations of the Farnham Park Charity divide into two areas, i) the Golf course and the ancillary catering activities, and ii) 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.
- 2.2 It is important to understand the context of the Farnham Park site for service delivery in South Bucks. The land at Farnham Park was inherited by South Bucks from its one of its predecessor authorities, Eton Rural District Council which had been given responsibility for the land by an Act of Parliament in 1971, and required to act as corporate trustee for its management. The Act of Parliament placed an obligation on the responsible authority to use the land for the wellbeing of all the residents of the area. The decision was made to utilise the land for i) a public golf course and ii) public playing fields. It was also decided to operate the facilities as a charitable trust to emphasis the particular circumstances around the lands ownership and use.

3. Service Context

- 3.1 The facilities provided on the site contribute to the leisure and open space facilities provided by the Council. The consequence of the income and expenditure for the Farnham Park activities being accounted for as a Charitable Trust means that they do not appear, nor constitute part of the authority's revenue budget funded by the council tax.

- 3.2 South Bucks historically has been a low spending authority on recreation and public open spaces. This is illustrated by the following charts which show the Council's expenditure on i) recreation services and ii) public open spaces compared to all other district councils¹.



- 3.3 The average spend across all district councils in 2017/18 on these two areas was:

- Recreation £758k SBDC £256k
- Open Spaces £983k SBDC -£64k

- 3.4 Even allowing for the features of the South Bucks area where there are a lot of private leisure facilities and a resident population able to afford private facilities, together with areas of publicly accessible Green Belt, the Council's expenditure in this service area is low. The figures in para 3.3 equate to £3.71p per resident per annum for recreation, and nil cost for open spaces.

¹ Source MHCLG RA Returns 2017/18

3.5 In 2018 the Council approved two strategy documents relevant to Farnham Park. The first was the Leisure Strategy which set out a vision *"To enable provision of high quality, well-located, accessible sport and leisure facilities to facilitate increased participation in physical activity, which is key to improving health and wellbeing outcomes"*. The Strategy identifies that the long term population growth in South Bucks will increase demand for community facilities, including sport and leisure provision especially increased provision of cycling, jogging and walking routes.

3.7 The second document was the Playing Pitch Strategy whose key points are;

- All existing playing field sites require protection.
- There is an oversupply of adult football pitches but an undersupply of youth 11v11, youth 9v9, mini 7v7 and mini 5v5 pitches.
- All existing rugby pitches need to be protected and retained.
- Lack of availability of 3G pitch provision in South Bucks
- Improvements are necessary to the ongoing maintenance of existing pitches and provision of changing rooms, particularly at local authority operated sites.

The strategy identifies the Farnham Park Playing Fields as *"a huge site with space for a lot of sports provision and opportunities to provide a community sports hub, with ancillary facilities brought into one central building to enable shared usage and better utilisation of space and resources"*

3.8 The public facilities provided at Farnham Park, whether the golf course or the playing fields, are part of the Council's contribution to improving the public health of residents in the area. In recent years the importance of promoting public health has increased, as it is seen as one of the means to reduce pressures on health services. Investment in public health is generally agreed to produce significant pay back to the overall public expenditure budget.

4. Financial Context

4.1 If the Council were to directly operate the Golf Course and Playing Facilities the budgets would be presented differently to how they are shown for the Trust. In particular the Councils budgets would exclude Interest and Asset Charges, which total £110,860

4.2 The interest charge, related to the construction of the new clubhouse £36,670, is notional in the sense that the Council did not actually borrow to finance the project but utilised its surplus cash reserves. Similarly asset charges for Council services are notional and have no impact on the council tax requirement.

4.3 In the past when golf was at its peak of popularity the golf activity made a large enough surplus to absorb the additional accounting costs and cover the operational costs of the Playing Fields. However over the last decade the popularity of golf has declined with less people playing, leading to green fees income and related spend on food and drink reducing. Therefore whilst the golf activity may get close to breakeven, this leaves the cost of the playing fields unsubsidised.

5. Operating Budget 2019/20

5.1 The following table summarises the overall budget changes for the golf operation, and the changes from the 2018/19 budget. Negative figures equate to savings or surpluses.

5.2 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

5.3 Any increases in green fees are made in reference to other local golf courses, as usage is price sensitive.

5.4 The Playing Fields operational budget is summarised below, and it shows an operational loss of £111,933. 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 2018/19	87,704
Expenditure changes	-4,300
Change in share of Golf Mgt / Grounds Maint	28,529
Income changes	-
Budget 2019/20	111,933

5.5 The preceding tables show the Charity's operational budget position. The overall accounting financial position as a charitable trust, 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.

5.6 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	

5.7 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.

5.8 If interest and asset charges are excluded the financial position would be an overall cost of £43,010.

	Golf	Playing Fields	2019/20 Total	2018/19 Total
Net Operating Budget	-96,523	111,933	15,410	-24,670
Support Service Costs	18,000	9,600	27,600	37,000
2019/20 Budget	-78,523	102,333	43,010	12,330

- 5.9 If the £43k cost was added to the figures in para 3.3 above it would not materially change South Buck's spend ranking compared to all other districts. £43k equates to 62p per resident per annum.
- 5.10 The cost for the playing fields, £102,333 is too high and reflects the declining use of the facility due to lack of investment over many years, and changing demand for playing fields, from adult to youth usage. This is why the Council is currently looking at ways to develop the playing fields site to increase usage and reduce operating costs. This is involving discussions with major sporting bodies to assess the potential for grant funding.
- 5.11 The option being explored involves:
- Consolidating the existing separate changing room buildings into a single facility with supporting bar and catering facilities. The consolidated facility would be operated on behalf of all users and not be for the primary benefit of any one club or user.
 - Improve the existing pitches and their layout, including improving drainage.
 - Providing 3G floodlit artificial pitches.
 - Additional leisure elements above the minimum requirement would be the provision of a fitness suite for club and public use. This would be a material source of income towards the operating costs of any facility.
 - The potential for space in the facility that could be available for hire for community uses such as meetings of local groups, advice and counselling sessions.

The intention is for the feasibility work to be reported back to members in the Spring

6. Risks and Issues

- 6.1 The main operational 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.

- 6.2 The financial information makes very clear that the cost of the Playing Fields is the major challenge facing the Charity/Council. 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. Two of the building have now been closed.
- 6.3 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 cost to the Charity/Council in the order of £64k.
- 6.4 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.
- 6.5 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, and consequently their contribution to the public health agenda. However these opportunities could only be realised by investment by the Council to rationalise building, revamp pitch layouts and introduce additional income streams.

Background Papers:	None
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