



Report to Audit and Governance Committee

Date:	24 March 2021
Title:	Farnham Park Sports Field Trust – Operations and Financial Position
Relevant councillor(s):	Cllr Clive Harris
Author and/or contact officer:	Mark Young, Sophie Payne
Ward(s) affected:	Stoke Poges/Farnham Royal
Recommendations:	To note the information provided within this report on the operations and financial position of the Trust; and the plans for a strategic review of Trust arrangements, with recommendations later in the year.

1. Executive summary

- 1.1 The Audit and Governance Committee requested a report on the Trust's financial viability, following its review of the Trust's Annual Report and Financial Statements 19/20 in November 2020.
- 1.2 This paper provides further information as requested and sets out the plans and timetable for a full review of Trust operating arrangements, to be informed by the recommendations arising from the Buckinghamshire-wide Leisure Facilities Strategy that is currently in development.

2. Content of report

Background

- 2.1 Farnham Park Sports Fields Trust is the registered charity which manages the land at The South Buckinghamshire Golf Course in Stoke Poges, and Farnham Park Playing Fields, located on the edge of Farnham Common.
- 2.2 The land, which amounts to over 200 acres and is designated as green belt, was transferred to the local authority under The Eton Rural District Council Act 1971. The

Act requires the local authority, as corporate trustee, to use the trust lands *“for the maintenance and improvement of the physical well-being of persons resident in the rural district of Eton and adjoining areas by the provision of facilities for their physical training and recreation and for promoting and encouraging all forms of recreational activities calculated to contribute to the health and physical well-being of such persons”*.

- 2.3 Following the creation of the new unitary authority from 1 April 2020, the land and responsibilities transferred to Buckinghamshire Council, who are now sole trustees of the trust. As a registered charity, the Trust is a separate entity and stands outside of the council accounts, but the authority as corporate trustee for the land effectively acts a guarantor for the charity. The land cannot be sold, however there can be developments undertaken on the land consistent with the objective of the trust around recreation and public health.
- 2.4 There is no specific named officer or Cabinet Member trustee listed with the Charity Commission. In practice, day-to-day operations are overseen by the Service Director for Culture, Sports and Leisure (who also has management responsibility for the Trust’s staff); the Cabinet Member for Sports and Leisure is consulted on all key issues and retains oversight of the Trust’s operations through monthly reporting (including financial monitoring). The Trust’s finances are also included in the monthly reports for CMT Budget Board.

Operations

- 2.5 The facilities at The South Buckinghamshire Golf Course (130 acres) include a well-established 18-hole golf course, with a small practice area, car parking for approximately 100 cars, and a clubhouse with bar, catering, meeting and function facilities, plus changing rooms, and a small golf shop. The capital costs of creating this clubhouse were funded via a £2m loan from SBDC to the Trust in 2014, which is being paid back at a cost of £35k per year.
- 2.6 The facilities at Farnham Park Playing Fields (80 acres) include 11 grass football pitches, one rugby pitch, a play area operated by Farnham Royal Parish Council, plus two purpose built baseball/softball fields, and two purpose built softball fields operated by Baseball Softball UK Limited (BSUK; Farnham Park is their home venue and a strategic national site). Residents also use this site for exercise and dog walking. In addition, there are a number of occupied buildings on the site, including a clubhouse for Farnham Royal Rugby Club; Unity Martial Arts; Home Plate (clubhouse for BSUK); and a building with 8 changing rooms, showers and toilets. There are also some facilities on site which are out of use due to their poor condition: two vacant

buildings, tennis courts and a Multi-Use Games Area (the latter is currently let to BSUK as storage).

- 2.7 The Trust was also responsible for the operational maintenance and management of the nearby 9-hole South Bucks Academy golf course until its closure in November 2016. For the avoidance of doubt, this is council-owned land i.e. it does not form part of the Trust's assets or operations. The site is presently being converted into a new Country Park, funded through soil importation, which is expected to open in Spring 2023.

Staffing

- 2.8 The Trust's staff are all employees of Buckinghamshire Council (they were previously employees of South Bucks District Council and therefore transferred into Buckinghamshire Council from 1 April 2020). Staff receive no additional or separate remuneration from the Trust. The team, which works across both sites, includes 15 full time, 2 part-time, and up to 6 casuals (noting that 3 of the permanent posts are vacant and have been left unfilled this year due to Covid).

3. Financial position

- 3.1 The Trust's charity accounts are prepared on an annual basis by the Council's finance team, audited by an external audit company and sent to the Charities Commission.
- 3.2 The Trust has a separate bank account to the council, is registered for VAT and uses a separate finance system to the rest of the council.
- 3.3 It is believed that external financial advice was received many years ago that it would be beneficial for the Trust to be set up as a separate business, with separate account and VAT registration (these separate accounts go back to 2006), and this would be a Charity Commission requirement in any event. This allowed the Trust to generate VAT exempt income. This means that VAT is not charged on most income, such as green fees and pitch hire, However, VAT cannot be claimed back on VAT-able general expenditure, with the exception of catering and golf shop sales (the bar and catering operations were brought in-house following the failure of the incumbent operator. VAT is included in the price of all food and beverages, and an external stocktaking company is employed for regular stock checks and guidance). Overall, the above VAT arrangements equate to a saving each year of circa £48,000 for the Trust.
- 3.4 In addition, by operating as a separate business to the council, business rate relief of 80% has been granted due to the charitable status of the Trust. This saves in excess of £40,000 per annum in business rates.

- 3.5 As a charity, the Trust is also able to apply for some types of grant funding that would probably not be available to the Council. In 2020, the Trust successfully applied for financial support on the purchase of new equipment for Farnham Park Playing Fields, and a grant of over £12,000 was given by the Football Foundation. A further grant will be applied for the purchase of new grounds maintenance equipment, for which an additional sum of £25,000 is potentially available. The Trust was also successful in receiving funding from Sport England when the new clubhouse was opened in 2014.
- 3.6 The Trust has made a loss each year for many years, with a substantial element of this being at Farnham Park Playing Fields, which is as a direct result of the condition of the site, the present buildings and the facility mix.

3.7 Table 1 shows the net operational cost over the previous three complete years.

Please note that in 2017/18 the accounts did not allocate any of the shared management and maintenance costs to the catering operation or the playing fields, hence the larger sum shown against the golf course for this year. From 2018/19, the accounts were apportioned to more accurately show the actuals for each element of the operations.

Table 1 - Net Operational Costs

	2017/18 Actual £	2018/19 Actual £	2019/20 Actual £
NET OPERATIONAL COST			
South Bucks Golf Course	189,913	(39,321)	75,543
Catering	22,438	74,160	86,441
Farnham Park Playing Fields	6,645	117,561	165,582
TOTAL	218,996	152,400	327,566

- 3.8 It is believed that South Bucks District Council mitigated any loss from its own resources and that this was reported to the Council each year.
- 3.9 Factors affecting costs and income:
- a) The operating loss is made greater by the costs of servicing the clubhouse loan (£34,600 p.a. for 2020/21) and the cost of depreciating the assets (c£74k in 2020/21 – see below). The latter would not be a real financial charge if the facilities were directly run by the Council due to the different treatment of depreciation between local authority accounts and charity/commercial accounts.

- b) Depreciation costs for 2020/21 includes large items of equipment, such as maintenance vehicles that were originally purchased, and are split as follows:

South Bucks Golf Course, including maintenance	£63,800
Farnham Park Playing Fields	£10,600

All equipment within the catering section has already been depreciated across previous years.

It should be noted that over the last three years most maintenance equipment, including a wide selection of fairway mowers and greens mowers, are now being leased over a five-year agreement, which includes all repairs and service costs. This ensures that the equipment is kept in good working order, with a fixed annual fee. The present lease costs for maintenance equipment is c£75,000 per annum.

- c) Member decisions in 2012-13 to amend from the final clubhouse construction the space to cater for weddings and large functions, in order to reduce construction costs, have had a material impact on the income generation capacity. The function room can only accommodate 60 people for a sit-down meal, and the room then needs to be cleared to create a dance area.
- d) Golf course income has reduced in recent years as a result of a national general downward trend in the numbers playing golf, accompanied by a more competitive market on fees, particularly through online booking websites. There are several other golf courses in the immediate vicinity. There has also been a national general decline in the secondary spend (catering) associated with golf, plus increases in costs from suppliers.
- e) A trend of increasingly wet winters and periods of very high temperatures in the summer, leading to the course being closed or partially closed, or the weather putting golfers off playing. In 2019/20, flooding of the course led to a very high number of days closed, with subsequent loss of income. Costs have also increased in recent years for tree safety and drainage works as a result of the weather.
- f) Historically there have been a number of Service Level Agreements in place for finance, legal, HR and IT support, with recharges made to the Trust for the provision of these services (c£28k in 2020/21), plus fees of c£6k for external audit of the Trust accounts, as well as insurance costs of c£40k a year. The breakdown of the Service Level Agreement charges is as follows, and is split between the golf course and playing fields (all charges include VAT):

HR Support	£6,000
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ICT Support	£2,400
Finance Support	£18,000
Communications Support	£1,200
Total	£27,600

- g) Conversely, there was never any Service Level Agreement between the Trust and the Council for the costs of maintaining the land (although there was a historical recharge by the Trust of c£53k a year for the maintenance of the council's land that is now being turned into the new Country Park).
- h) Trust staff are on ex-SBDC terms and conditions, moving up a spinal point each year, which results in an annual increase in salary costs of over 4%, assuming a 2% pay award. All staff costs are included within the operating cost information shown at para 3.7.
- i) VAT: as set out above, the Trust does not pay VAT on golfing income, but equally this means it cannot reclaim VAT on any of its expenditure, with the exception of bar and catering (since VAT is charged on the income for these).
- j) Table 2 highlights the comparative figures for 2020/21 if all depreciation and service level agreement costs were taken out of the operational costs of the Trust, which clearly shows that the golf course is making a profit, even when taking into account the catering section, and it is the playing fields which is the loss-making side of the business:

Table 2 – Comparison of Net Expenditure with and without Depreciation Charges

	2020/21 With depreciation and SLA cost £	2020/21 Without depreciation and SLA cost £
NET OPERATIONAL COST		
South Bucks Golf Course	10,000	(60,000)
Catering	14,000	10,000
Farnham Park Playing Fields	140,000	110,000
TOTAL	164,000	60,000

3.10 Measures taken to mitigate the deficits have included:

- a) Increasing prices for green fees and pitch hire by 5% per year for the past three years, to reflect the improved quality of the course, and bring pricing in line with local competitor facilities. Prices for green fees will again increase by over 5% in FY 2021/22; and it is also proposed to remove senior discounts at weekends, to generate more income when demand is at its highest.

- b) A plan was in place to introduce a new golf membership card in April 2020, which was expected to generate additional income of £10,000 per year. Due to the COVID-19 restrictions on opening, this had to be postponed; given that restrictions will continue for several months, it is anticipated that this will be introduced in early 2022.
- c) Annual increases to bar and catering prices above inflation rates, as recommended by the external stock taking company, and again to fall in line with local courses. As seen above, bar and catering do not generate a profit of themselves but are intrinsic part of the overall offer, which if removed, would likely impact negatively on golf income.
- d) At Farnham Park Playing Fields, prices for pitch hire have also been increased over the past three years, and are now higher than many local providers, particularly in the Slough area.

Covid impacts

3.11 Pre-Covid, the predicted deficit on operational costs for 2020/21 stood at £164,000, including loan repayments, depreciation of equipment, insurance costs and payment of Service Level Agreements. However, as with the Council’s other leisure facilities, the pandemic has had a severe impact on income, as can be seen in the table below. The golf course has been closed for most of the year, and at Farnham Park Playing Fields there has been additional loss of income from tenants, pitch hire etc.

Table 3 – 2020/21 Projected Forecast with COVID Impact

	2020/21 PROJECTED £
NET OPERATIONAL COST	
South Bucks Golf Course	268,000
Catering	132,000
Farnham Park Playing Fields	187,000
TOTAL OPERATIONAL COST	587,000

- 3.12 While operating costs have been reduced wherever possible, maintenance savings at the golf course and playing fields have not been possible because the sites had to be maintained ready for a return to play, to avoid future loss of income. Three staff vacancies have been left unfilled, with the remaining team working flexibly; this has included the redeployment of staff members to the Council’s wider Covid response whenever possible, including to help with managing unprecedented numbers of visitors to Country Parks, and most recently to support surge testing.
- 3.13 All Covid-related losses for the Trust have been included in the Council’s financial monitoring, and provision has been made to cover these within the 2020/21

budgets. Measures are in place to recover some of these losses through the Government's Income Loss Support Scheme.

Looking ahead

3.14 Provision has also been made within the Council's MTFP 2021/22 for growth to cover the Trust projected BAU operational losses of £164,000 (see table below), plus an additional one-off amount of £67,000 for continuing loss of income in the early months of the financial year due to Covid restrictions. The golf course will reopen on 29 March; catering and functions will resume later in the spring, subject to the government roadmap. Similarly, at Farnham Park outdoor sports are due to recommence from April.

Table 4 – 2021/22 Estimate

	Estimated Expenditure £	Estimated Income £	Net Expenditure £
South Bucks Golf Course (incl depreciation, interest, recharges)	1,258,000	- 1,250,000	8,000
Catering (incl internal recharges)	303,000	- 283,000	20,000
Farnham Park Playing Fields (incl depreciation and internal recharges)	213,000	- 77,000	136,000
TOTAL	1,774,000	- 1,610,000	164,000

3.15 The projected financial position for 2022/23 onwards is of a similar order to 2021/22, albeit with minor reductions in the operating deficit based on the pricing adjustments mentioned earlier in this paper.

4. Review and options appraisal

4.1 In light of the known BAU financial pressures, a strategic review of the Trust arrangements has already been programmed to take place in 2021/22.

4.2 The initial phase of this work will be to complete a comprehensive options appraisal with input from Finance, Legal and other relevant parties, to inform recommendations to CMT and Members.

4.3 This will be informed by the Leisure Facilities Strategy work which is currently underway, with a focus both on meeting future leisure needs across Buckinghamshire and ensuring longer term financial sustainability. The analysis within the Strategy will be critical in providing a view of the future needs of the population and sports clubs/users, how these are met by the range of existing and

planned leisure facilities (including non-council facilities), and recommendations to inform the future development of Council-owned leisure facilities. Understanding the likely future facilities mix at the sites currently managed by the Trust will be important to inform any decisions on the future operating arrangements.

- 4.4 It should also be noted that as set out above there are long-term tenants on site at Farnham Park Playing Fields. In addition, any future development or changes to the Trust sites will obviously need to be looked at carefully, to ensure the Council adheres to the obligations of the Eton Rural District Council Act 1971 as set out above.
- 4.5 The proposed review timetable is as follows, noting that this may change dependent on the outcome of the options appraisal (for example, whether there is a need for any formal consultation):
- By end of April 2021 - Analysis from the Leisure Facilities Strategy work available, to inform options appraisal
 - May-June - Development of initial options appraisal
 - August-December - Stakeholder engagement/formal consultation if needed, followed by development of final recommendations
 - January-March – Implementation.

5. Corporate implications

- 5.1 Relevant colleagues from Property, HR, Finance and Legal Services will be engaged in the next stage of developing a detailed options appraisal and recommendations.
- 5.2 Legal advice is that the Council as trustee is required to exercise its powers solely in the interests of the Trust, to do otherwise e.g. to exercise its power for its own benefit, would put into question the charitable status of the Trust, since it would exist in part for the benefit of the Council.
- 5.3 Financial Implications: The financial implications have been included in the body of the report and been reviewed by finance colleagues.

6. Communication, engagement & further consultation

- 6.1 Not applicable at this stage.

7. Next steps and review

- 7.1 As set out at paragraph 4.5, the findings from the Leisure Facilities Strategy will be used to inform options around the future facilities mix on the Trust sites and the

Trust operating arrangements, with an initial options appraisal to be completed by June.

8. Background papers

- 8.1 Previous years' annual accounts can be found on the [Charity Commission website](#).

