

EAST AYRSHIRE COUNCIL
COUNCIL MEETING – 22 JUNE 2006
FUNDING OF LEISURE TRUSTS

Report by Executive Director of Neighbourhood Services

1. PURPOSE OF REPORT

- 1.1 To advise Members of the consequences of difficult financial position of Kilmarnock Leisure Centre Trust and Cumnock and District Leisure Group and to propose a solution for the short and medium term.

2. BACKGROUND

- 2.1 The Community Services Committee agreed at its meeting on 1st March 2006 to approve grant funding for both Trusts of £90,000 for 2005/06. The funding request from each Trust was substantially more than this but the budget for grant funding did not allow disbursement of more than £180,000. The grant to KLCT was met from the mainstream Council budget; the grant to CLDG was met from Quality of Life funding.

3. CURRENT POSITION

- 3.1 Concern was expressed by both organisations about their ability to continue to deliver existing services with this level of funding and meetings were held with them to discuss these concerns. It is clear that their financial positions are precarious and Trustees have been placed in the position of potentially continuing to trade in the knowledge that expenditure will be in excess of income for the year.
- 3.2 KLCT applied for funding of £157,000 to support their activities, including additional costs projected to cover steep rises in energy prices. Since the application was considered it has been established there will be a £60,000 shortfall in an expected V.A.T. refund in 2006/07 causing further problems for the Trustees.
- 3.3 In order to address the revenue shortfall the KLCT would have to consider reducing staffing resulting in the removal of the regular weekend programme for children which seeks to make youngsters more active, reducing the levels of cleanliness and maintenance in the building which may impact upon health and safety and reducing advertising and promotion levels. All of these are likely to lead to reduced usage and income with further cuts then being required.

- 3.4 The CDLG applied for funding of £163,000 to support their activities in 2006/07. This figure is close to the original business plan projections and also includes allowances for significant energy price rises which were not predictable when the facility was being planned.
- 3.5 The CDLG are re-examining the operating budget for the Visions Centre in detail and indications are that the facility requires an operating subsidy of at least £160,000 to continue to trade at a level that would continue to satisfy the funders which grant aided the facility and meet the needs of the local community. This figure will be confirmed when various operational changes have been considered by the CDLG Board.
- 3.6 There is a close working relationship between the two facilities as the KLCT is the contractor that operates the Visions Centre on behalf of the CDLG and therefore the failure of one facility may have a detrimental effect on the viability of the other.
- 3.7 Both the Galleon Centre and Visions are performing well and are meeting the terms of the Service Level Agreement that underpins the financial support received from the Council.

4. PROPOSAL

It is proposed that a one-off additional cash injection of £70,000 be made to each Trust and that a suitably qualified and experienced independent consultant be engaged to carry out a comprehensive review of the facilities, the services they provide and the costs of these with a view to producing a longer term strategy to ensure their financial viability. This would include a balanced three year budget. The consultant would be responsible for a detailed review of the operation of all aspects of the Galleon Centre and this would include an assessment of the nature of facilities required in the future in relation to changing usage trends, local strategic priorities, the development of new facilities in Kilmarnock and benchmarked performance. For the Visions facility the consultant would examine the revised business plan, test its viability and assess the value for money being achieved in the first years of the facility's operation.

5. FINANCIAL IMPLICATIONS

It is proposed that the additional grant support and the cost of the review would be met from Revenue Balances brought forward, £70,000 from the General Fund Balance and the remainder from the Neighbourhood Services Departmental Balance. This payment would be a one off settlement for 2006/07. If the consultant's review concludes that additional funding is required for 2007/08 and beyond, the Council would need to consider this alongside other priorities during the 2007/08 budget process.

6. LEGAL AUTHORITY/IMPLICATIONS

6.1 Financial support for both Trusts is controlled through the Council's standard Conditions of Grant and an individual Service Level Agreement.

7. POLICY IMPLICATIONS

7.1 Support for both Trusts is in line with the East Ayrshire Community Plan, Community Learning Aim 1.1 "Support local organisations to manage their own facilities". In addition the provision of both facilities by the Trusts supports the Improving Health Agenda.

8. CONCLUSIONS

8.1 Both Trusts are operating their facilities effectively and the Galleon Centre and Visions are important community leisure facilities in East Ayrshire. A one-off cash injection of £70,000 for each Trust will ensure that both facilities continue to offer a full range of high quality activities throughout 2006/07. The development of balanced three year budget projections, ratified by an external consultant, will allow appropriate consideration to be given to future funding arrangements in due course.

9. RECOMMENDATIONS

9.1 It is recommended that Council:-

- i) approve the award of one-off additional revenue grants of £70,000 to both the Kilmarnock Leisure Centre Trust and the Cumnock and District Leisure Group to cover revenue shortfalls in 2006/07;
- ii) remit to the Executive Director of Neighbourhood Services to submit three year budget proposals for both organisations for consideration as part of the 2007/08 budget process; and
- iii) otherwise note the content of this report.

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Executive Director of Neighbourhood Services

WS/JAG/KH

9th June 2006

LIST OF BACKGROUND PAPERS

Nil

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