

Appendix 1 – YMCA Operational Report March 2023

FYLDE – 23/24 OPERATIONS REPORT

Prepared by	YMCA Fylde Coast
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Prepared for (board/sub-committee/AGM)	Fylde Borough Council

Purpose: The purpose of this paper is:

1. To provide narrative and context to the 23/24 budget
2. To outline a formal request for additional subsidy support from Fylde Borough Council so that provision can be maintained.

Background

Leisure operators and local authorities up and down the country face very real sustainability challenges. Ukactive have already projected that 40% of council areas are at risk of losing their leisure centres or seeing reduced services by March 2023, whilst 74% of facilities were classified as ‘unsecure’ and at risk of closure before March 2024.

It was announced in the budget on 15.03.23 that there will be a £63m fund to support the operation of publicly owned swimming pools. £40m of this will be for investment in de-carbonisation and long-term energy efficiency, whilst £23m is marked for addressing immediate operational costs. Details on how to apply are not yet available, although it is known that applications must be made by the local authority and that the fund will be managed by Sport England.

Whilst UK economic pressures are well known, it is worth outlining the main factors here:

- A further 9.6% increase in national minimum wage
- Inflation at 10%+
- Energy costs rising by 100’s%
- A cost-of-living crisis squeezing personal budgets

Operations (St Annes Pool only)

Since re-opening in May 2021, business has returned at a faster rate than had been assumed, supported in part by aggressive pricing during May and June. In fact, total members at St Annes Pool in April 2021 were significantly higher than April 2019 and have continued to grow since. Total members as of February 2023 stand at 1,614 compared to 1,184 as at April 2019.

Year	St Annes Pool Membership	Kirkham Membership
April 2019	1,184	808
April 2021	1,531	704
April 2022	1,584	769
February 2023	1,614	-

Financially, income has also grown whilst staff costs have been reduced.

Whilst income dropped by 4.2% between March 2020 and March 2022, this can be accounted for by Covid. Income growth between March 2022 and March 2023 is expected to be 11.1%, or £55,194.

	2019/2020 (£)	2020/21 (£)	2021/22 (£)	2022/23* (£)
Membership Income	213,014	37,764	226,782	235,904
Total Income	519,113	59,286	497,145	552,339

* Forecast

The table below shows the percentage of staff costs against income, highlighting that we are operating as efficiently as possible in this respect.

	March 2020	March 2022	March 2023
% staff costs	52.8%	46.4%	45.6%

Whilst the income and membership lines have remained strong there are now significant pressures on expenditure lines, not least energy and staffing costs.

	2019/2020 (£)	2021/22 (£)	2022/23 (£)	2023/24 (£)
Salaries	274,201	231,056	251,925	271,275
Electricity	54,563	44,813	101,149	156,423
Gas	42,195	30,239	36,450	90,513
Total	370,959	306,108	389,524	518,211

Despite the salary costs increasing by nearly £20,000 in 23/24, the percentage against income is still only 46.3%.

The main expenditure causing sustainability issues are the electricity and gas prices. Despite investing in energy saving projects such as LED lighting and works in the plant room (efficiencies can be seen through the reduced electricity and gas costs from 19/20 – 21/22), the energy crisis has dictated that costs have risen exponentially. The table below indicates the scale of the increases between 22/23 and 23/24 – noting that electricity costs this year have already increased by 125% when compared 21/22.

	22/23 (£)	23/24 (£)	Variance (£)
Electricity	101,149	156,423	55,274
Gas	36,450	90,513	54,063
Total	137,599	246,936	109,337

On a smaller scale, building maintenance costs have increased linked to the age and condition of the facility.

23/24 Overview (St Annes Pool and Kirkham)

The budget for 23/24 is showing a combined deficit of (£94,152). This figure includes a subsidy of £141,000 for St Annes Pool but no subsidy for Kirkham (ordinarily £44,388).

The budgets have been predicated on the following assumptions.

Income Assumptions



Clearly, there is little to no income assumed for Kirkham and so all items below relate to St Annes Pool only.

From 1st April the Youth Membership will increase from £25 per month and £250 annually to £27 per month and £270 annually. Other memberships will also move from £25 and £250 to £27 and £270 during 23/24. The exact timing of this increase is yet to be set.

Pay as you go activities: Prices across the range of PAYG activities will also increase from 1st April. The exact increases vary according to the activity.

Swimming: outside of memberships, swimming lesson income, including private lessons have been budgeted to increase by 10% - £27,878

Shop: Shop income is budgeted to increase by 32% - £5,330

Overall, income is assumed to grow by 6.1%

What is not included:

No grant associated with the budget announcement

Expenditure Assumptions

Salaries: Increased by 7.7% - £19,350 because of minimum wage increase and knock-on effect across other salary scales

Electricity: Increased by 54.6% - £55,274 - based on 80p pkwh between April – September and 30.24p pkwh between October – March.

Gas: Increased by 148% - £54,063 - based on 1.9p pkwh between April – September and 7.2p pkwh between October – March.

Rates and Water: Increased by 44.9% - £8,677

Insurance: Increased by 12% based on renewal quote from Zurich

Other: other expenditure lines have been increased by between 3.75% - 5%

Overall, expenditure is increased by 17% - £110,944

What is not included:

Redundancy costs associated with any closures

Any funding that might be secured through the Government support for publicly owned pools

Reduction in energy costs because of energy saving measures

Reduction in energy costs based on achieving better tariffs than 30.24p and 7.2p from October onwards.

The high-level overview is that income is budgeted to grow from £552,339 in 22/23 to £586,062. Given the current cost of living crisis, this is an ambitious target to set and there is a risk in notifying all members of price increases that it initiates cancellations, especially of direct debit customers. However, total income has remained strong across 22/23 and we forecast to be ahead of budget by 4%.

The main budgetary pressure comes on the expenditure lines, and in particular utilities and salaries for St Annes Pool and the service contract and closure costs of Kirkham.

Staffing Levels

Staffing levels are still substantially below pre-covid levels.

In 2019/20, staffing costs were 52.8% of revenue, this fell to 46.5% in 2021/22. Forecasts for 22/23 show 45.6% with the current budget for 23/24 showing that staffing costs are 46.3% of revenue.

The impact of the 9.6% increase in national minimum wage will add £19,350 to the expenditure line, accounting for the fact that salary scales above the minimum wage will need increasing to maintain differential. 38.52% of our St Annes Pool workforce are minimum wage staff and therefore increases linked to minimum wage salaries amount to approximately £7,453.

TOTAL				
FTE	Oct 19-Dec 19	Oct 20-Dec 20	Oct 21-Dec 21	Oct 22-Dec 22
	PRE COVID	COVID	POST COVID	CURRENT
St Annes Pool	13.05	7.96	12.1	11.32
BASED ON 37.5 WEEK				
MIN WAGE FTE	Oct 19-Dec 19	Oct 20-Dec 20	Oct 21-Dec 21	Oct 22-Dec 22
	PRE COVID	COVID	POST COVID	CURRENT
St Annes Pool	4.88	3.45	4.73	4.36
BASED ON 37.5 WEEK				
RATIO	37.39%	43.34%	39.09%	38.52%

Summary

In summary, operating St Annes Pool without any alterations, coupled with the costs of Kirkham through until the cessation of service contracts will return a deficit of (£94,152). It is believed that it is prudent at this stage to predict a worst-case scenario on energy costs, and this shows additional expenditure of £109,337, though it might be expected that additional savings can be made through a combination of grant funding as announced by the Government on 15.03.23 and through the drop in price of the wholesale energy market. With membership sales holding, there can be cause for some optimism.

Nevertheless, the deficit remains significant and the fixed energy tariffs from April – September will likely present cashflow issues for YMCA Fylde Coast. To maintain provision at its current level YMCA Fylde Coast, request an additional one-off subsidy of £59,189. This figure is comprised of the 23/24 deficit for St Annes Pool, with the balance being the equivalent of three quarterly payments historically linked to Kirkham.



Without this it will be highly likely that we will be required to look at reducing operating times and service provision to reduce the deficit position.

Leisure has long been a mainstay of YMCA's offer and we remain committed to working in partnership with Fylde Borough council and providing our local communities with opportunities to participate in physical activity.