

Moray Hydrotherapy Pool Revised Business Plan

Covering Note

The cost of this £400,000 to £500,000 facility being made available to the people of Moray is being met by private subscription and no funds are being sought from Moray Council.

This briefing note addresses the potential deficit in the income stream for the first three years of operation.

Our revised income & expenditure projects a deficit of £20,000 pa in the first 3 years. Our expenditure includes payment to Moray Council of, coincidentally, £20,000 for staff time in supervision of the pool's operations, pool maintenance, use of shared services and common areas. Other pools belonging to Moray Council do not pay their own way but are subsidised by the Council. We think it not unreasonable to ask the Council to meet half of this deficit i.e. £10,000 in each of the first 3 years. The pool company will meet the balance. (The Council's contribution need not be in cash but in kind (staff time).

It should be noted that as far back as 2005 we indicated in a letter to Moray Council that we expected there could be an annual deficit of £20,000.

Whilst we hope that usage of the pool will build up steadily over the first 3 years, figures beyond that are guesswork only. However, taking a bleak scenario of income being only half of what has been projected (say £20,000 plus £5,000 from NHS Grampian = £25,000) and expenditure including depreciation of £65,100, the deficit would be approx £40,000 pa.

The full length Business Plan as revised has been lodged with the Council. The Revenue Costings pages (Section 12) are for convenience attached to this note.

J David Neely
Chairman, MHP Ltd

11th August 2009

12 COSTINGS - REVENUE i.e. of the ongoing running of the Pool

INCOME

In our April 2007 Business Plan, we anticipated an income of £64,000 p.a. being only slightly less than that of the Dingwall Pool. On reflection this may be overstated and we have made a significant reduction in our estimated income to err on the safer side.

The 2008 Dingwall direct income from pool charges is £54,000. We have estimated our income at only £39,600 and have based this on a charge of £3 per person per session.

We have estimated our weekly income on a conservative 8 sessions per day on 5 weekdays (each session being 30 mins but allowing 45 mins to cover users' time to change clothes) plus 4 sessions on Saturdays. We have estimated income of £18 per session. Thus 44 sessions pw x £18 per session x 50 weeks = £39,600.

In addition NHS Grampian are making a contribution of £5,000 pa making an estimated overall income of £44,600.

(The 2008 Dingwall Pool accounts show income of £82,600. Of this £54,000 is direct income from pool charges and £28,600 being grants from Highland Council and NHS totalling £28,600. Dingwall also has indirect income from a charity shop to help to cover the cost of a fulltime manager and other staff and hydrotherapists together with the significant extra cost of its being a free-standing self-contained unit - costs which will not be incurred at Forres.)

EXPENDITURE

In 2007, Moray Council staff extracted actual costings for heat, light & power, consumables and water from the operation of the swimming pool at FSP&LC and scaled them down proportionately to the smaller size of our proposed pool. Our 2007/

2007 estimated expenditure was as follows:

Heat, light & power		9,000	
Consumables		1,500	
Water		3,000	
Moray Council staff services		10,000	**
Insurance		2,000	
Accountancy & governance		2,000	
Annual servicing, safety			
checks & repairs		500	
Robes, towels, laundry		500	
Depreciation:			
Buildings	13,000		
Plant & equipment	<u>8,600</u>	21,600	
Contingency		<u>5,000</u>	<u>55,100</u>

Moray Council officials have tabled a figure of £20,000 p.a., to cover maintenance, consumables, shared cost of common areas, administration etc. We had allowed £10,000 (** above) to cover these charges, so that our estimated costs will rise by £10,000 to £65,100 unless Moray Council absorb these extra charges. It has to be said that these costs include a generous allowance of £21,600 for depreciation and a £5,000 contingency allowance.

These costings have been compared with Dingwall's direct pool costs for 2008 (excluding a management fee but including administration, insurance and only £15,000 depreciation) of £51,400.

DEFICIT

Income		£44,600
Expenditure		<u>65,100</u>
Deficit		<u>20,500</u>
To be financed:		
Moray Council	10,000	
MHP	<u>10,500</u>	
		<u>20,500</u>

As indicated we expect that after the building has been completed we will have a bank balance of £60,000 of which we think it wise to retain about half against any other unforeseen contingencies, and therefore use £10.500 pa towards the deficit.

In 2005 we indicated in a letter to Moray Council that we expected there could be a deficit of £20,000. This equates, coincidentally, with the Council's proposed charge for services to be provided. Other pools do not pay their own way but are subsidised significantly by the Council and we think it not unreasonable to ask Moray Council to absorb part of this charge to the extent of £10,000 of staff time.

Whilst we hope that usage of the pool will steadily build up over the first three years, figures beyond that are guesswork only. It is worth noting however that the foregoing figures are *without* considering other sources of income such as from charitable foundations and the use of the pool for Carers & Toddlers sessions for which we have already received enquiry