

## **Aylesbury Lawn Tennis and Squash Rackets Club**

### **Treasurer's Report on accounts for the Year to 31<sup>st</sup> December 2023**

As a reminder, ALTSRC currently exists as a section within Aylesbury Sports Club (ASC), along with Hockey, Cricket, Bowls and Table Tennis. ASC holds the lease of the site from Aylesbury Sports Club Ltd, and grants permission to the sections to operate upon payment of an annual assessment charge, which helps to cover costs borne by ASC including grounds maintenance, car park upkeep and insurance premiums.

At last July's EGM the motion was passed to split ALTSRC into three separate clubs, allowing each autonomy over spending decisions, and preventing the subsidising of one section at the expense of another. The respective Committees have worked hard to action the split as voted for, but both the complexity and delays in gaining full access to the information required have meant that at 31<sup>st</sup> December 2023 the Club was still one entity.

In addition since the EGM a fuller appreciation of the cost and other financial challenges facing the Club has been gained. Much higher utility costs, statutory wage increases, a downturn in the performance of the bar, higher levels of clubhouse maintenance, the risk of steep increases in assessment and insurance costs, historic corporation tax liabilities and a pending VAT inspection combine to place the finances of the Club under significant pressure. On top of this, splitting will reduce the amount of reclaimable VAT by c£8-10k, further adding to costs (more detail on these challenges is set out under 'Financial Challenges' below).

In light of the above, the 2023 financial statements have been prepared and reported as in previous years; one set of accounts for Tennis and Squash (discussed here), and one for the Bar.

The accounts for 2023 show a surplus of £47,125, down 27% on the 2022 surplus of £64,807. Although at first sight this is a significant fall, it should be noted that during 2022 no Sports Club assessment was levied (2023: £8.4k), and the Club benefited from a covid grant of £4k (2023: £nil).

The balance of the shortfall can be explained by the year on year Tennis performance, with lower income across both senior and junior subscriptions, and coaches' contributions. At the same time higher court maintenance costs further contributed to an overall drop in the Tennis specific surplus of £5,823.

#### Squash

Squash income rose to £76,693, an increase of £17,417 (29%) over 2022. Just over £2k of this increase can be attributed to higher subscription fees from April, with a further £7k from new memberships over the year. Court income also rose considerably, by £4k (18%), a reflection of the higher chargeable court utilisation percentages over the past year.

Squash specific costs almost tripled to £18,729 (2022: £4,821). The main reason was £8k of court maintenance costs incurred in the early months of the year. Other increases were due to league affiliation fees due to a larger number of club teams being entered, coaching fees and equipment, and the net cost of hosting the summer exhibition match.

## Tennis

Tennis income fell by 6% to £49,727. Senior membership fees dropped by £3k to £29k, along with junior fees by £1k to £9k, and a slight fall in the coaches' contribution.

Tennis specific costs rose by £2,466 to £10,138 (32%), the main driver for this being increased court maintenance costs which doubled year on year.

## Bar Profit Transfer

During the year the bar transferred £18k of funds, despite significantly lower profits in the second half of the year. Further pressure will come in 2024 with the impact of higher utility costs and wage increases, unless demand for function room hire recovers to previously seen levels.

## Establishment Costs

Establishment costs saw an increase of £4k (7%) over 2022, with usage and tariffs impacting utilities at the end of the year, inflationary increases in cleaning, and additional repair and maintenance costs during the year all contributing.

## Other Costs

Other costs increased by £8k, being the Sports Club assessment (waived in 2022).

## **FINANCIAL CHALLENGES**

The Clubhouse and Bar, Tennis and Squash now each have their own bank accounts with income streams directed into each. The apportionment of shared costs has been agreed and will come into effect from Q1 2024. The initial allocation of accumulated reserves remains to be settled.

Irrespective of the split, the Club as a whole faces a number of major financial challenges over the coming year. Total surplus before tax for 2023 (including the Bar profits but excluding the £18k transfer to Tennis and Squash) was £45k (2022: £77k).

- The full year impact of the new utility contracts will reduce the surplus by around £8k, and in April the national living wage increases by 10%, a further £6k hit to profits.
- The Clubhouse has now exceeded its originally intended lifespan, with an ever growing list of works required to maintain it. Major spend is currently required to replace one of the two water heaters, and leaks in both the men's changing rooms and above courts 3 and 4 have required repeated attention.
- The performance of the bar has deteriorated over the past year, in the face of inflationary cost pressure and dampened demand for function room hire.
- Alongside these, the Sports Club has its own challenges and there are risks both that the annual assessment charge levied to the club will need to increase significantly from the current £8,400, and that increased insurance premiums, historically absorbed by the Sports Club, will now have to be passed on.
- If the formal split does take place, the club will lose the VAT benefits of partial exemption, which based on 2023 results is estimated to add an additional £8-10k of

costs. This will be a combination of input VAT on Tennis and Squash costs which neither would be able to reclaim, and VAT on shared costs which the Bar would now be obliged to charge.

- At the EGM it was flagged that increasing profits from non-member functions, and the growth in bank interest received may render the club liable to corporation tax. This is now the case, and the submission of a 2023-24 tax assessment may well prompt HMRC to look at prior years for which no assessments were submitted. It's therefore prudent to ringfence a portion of the accumulated reserves. A provision of £2k has been made for the estimated tax liability on the 2023 non mutual trading profits. No provision has yet been made for retrospective tax liability due to the uncertainty of timing and amounts.
- Finally, the Club is still subject to a VAT inspection which was due to take place at the end of last year. Due to ill health this was postponed and is still awaiting rescheduling.

Together the materialisation of these risks has the potential to seriously impact the 2024 results. As an example, just the utility and wage increases, and the VAT impact will reduce a £45k surplus to £23k, *before* any assessment and insurance impact, and not taking into account maintenance requirements, the downward trend in bar profits, or corporation tax liability.

Faced with these challenges, and possessing current information on costs and performance, in my opinion it would be in the Club's best interests to continue under the one umbrella of Aylesbury Tennis and Squash Club. This would allow time to be more profitably spent working collaboratively on strategies to improve the performance and position of the Club as a whole in the face of these challenges.

If you have any questions or queries relating to the accounts I'm happy to answer them. Please email me at [darrenfsquash@outlook.com](mailto:darrenfsquash@outlook.com).

Thanks to Kish Sidhu who has kindly given his time to review the accounts.

Finally, ALTSRC must place on record it's thanks to outgoing treasurer John Phipps for the time and effort given up in support of the Club. John has left the Club with a healthy reserves fund, having helped steer us successfully through covid. His help in talking through the working files and providing assistance as requested is much appreciated, and I'm grateful to him for that.

Darren Franklin

Squash Treasurer

31<sup>st</sup> March 2024