

Title: Future Management and Operation of Jubilee Pool and Portway Rugby Development Centre	
Ward: Knowle/ Avonmouth & Kingsweston	Cabinet lead: Councillor Asher Craig
Author: Guy Fishbourne	Job title: Sport & Physical Activity Manager

Revenue Cost: £0.00	Source of Revenue Funding: <i>na</i>
Capital Cost: £100k (or £70k if trust model is used)	Source of Capital Funding: <i>Sports Section 106 funding</i>
One off <input checked="" type="checkbox"/>	Saving <input type="checkbox"/>
Ongoing <input type="checkbox"/>	Income generation <input type="checkbox"/>

Finance narrative:

This paper sets out the Council's proposal to deliver saving initiative RS24. It partially meets its £62,000 deliverable in 17/18 (delivering £31,000) and fully meets its £62,000 deliverable in 18/19.

This proposal will also partially mitigate current business as usual (BAU) cost pressures by delivering an additional £41,000 part year cost reduction in 17/18 which will equate to a £82,000 full year cost reduction in 18/19.

Appendix A includes detailed financials which reflect 1/10/17 contract effective start date.

These are summarised here below with regard to Jubilee and Portway respectively:

<u>Jubilee</u>	16/17 Full year cost £	17/18 Full year cost* £	18/19 Full year cost £	Comments
Jubilee Pool Management Fee	20,000	10,000	0	
Sub Total	20,000	10,000	0	The reduction in this cost serves to relieve a BAU cost pressure (partially in 17/18, in full from 18/19) since there is no budget for this.
Jubilee Energy Costs (representing part of Jubilee revenue subsidy)	47,500	23,750	0	
Jubilee Maintenance Costs (representing part of Jubilee revenue subsidy)	15,000	7,500	0	
Sub Total	62,500	31,250	0	The reduction in this cost serves to deliver saving initiative RS24 £62k (partially in 17/18, in full from 18/19).
Total Revenue Expenditure	82,500	41,250	0	

<u>Portway</u>	16/17 Full year cost £	17/18 Full year cost* £	18/19 Full year cost £	Comments
Portway Rugby Management Fee (representing Portway revenue subsidy)	62,000	31,000	0	
Sub Total	62,000	31,000	0	The reduction in this cost serves to relieve a BAU cost pressure since there is no budget for this.
Total Revenue Expenditure	62,000	31,000	0	

Finance Officer: *Jemma Prince 17/7/17*

Summary of issue / proposal:

- 1) *A proposal to extend the current contract on Jubilee Pool through until 31st March 2022 in return for no ongoing revenue support from October 1st 2017 (other than maintenance costs over £30,000p.a)*
- 2) *A proposal to award a new 10 year (plus 5 through agreements) contract for the management and operation of the Portway Rugby Development Centre including a one off payment of up to £100,000 for facility enhancements and then no ongoing revenue contribution for the duration of the contract.*

Summary of proposal & options appraisal:

Background

As part of the 17/18 budget consultation process £62,000 savings were identified against Jubilee Swimming Pool. Officers originally proposed pool closure to achieve these savings but following discussions with the pool operator (Parkwood Leisure) prior to public consultation, the proposal was reviewed and the Council felt there might be another way to achieve the savings whilst keeping the pool open. A table outlining the savings reflected this but unfortunately the supporting paperwork at the time incorrectly included the original proposal with reference to pool closure. Officers subsequently acknowledged that the reference to pool closure was a mistake and apologised for this as soon as the error was noticed.

Since the original proposal was reviewed and with the aim of keeping the pool open officers have undertaken ongoing negotiation with Parkwood Leisure in order to find a way in which the savings can be achieved.

During the Jubilee negotiations and following a separate tender process the Council also started negotiations with Parkwood Leisure on the future management and operation of the Portway Rugby Development Centre. For this reason this report covers two proposals from Parkwood for both facilities.

Summary of Proposal

- A proposal by the Council, to extend the contract with Parkwood Community Leisure until March 31st 2022 to operate Jubilee Swimming Pool, combined with a new contract to operate the Portway Rugby Development Centre (PRDC) for a period of 10 Years plus the option of a five year extension.

Jubilee Pool

- Parkwood Community Leisure has proposed that they can do this with a zero management fee, and in return, will continue to manage and operate Jubilee Swimming Pool and further develop and operate the PRDC for community use.
- Under this proposal Parkwood will no longer receive the management fee for Jubilee Pool (£20,000 pro rata) from the Council from the date of agreement but do require the utility and maintenance contribution currently paid by the Council under the existing contract to continue until September 30th 2017.
- Under this proposal the leisure operator will be responsible for the first £30,000 worth of

maintenance costs, whereas currently the leisure operator pays the first £15,000 worth of annual maintenance costs and the Council anything which exceeds this. The Council's budget for maintenance on Jubilee pool is £15,000 per annum which has covered its annual responsibilities for the past five years. Under this proposal the Council will be responsible for any maintenance costs which exceed £30,000 in one year.

- Under the terms of the Contract, the Authority may terminate the Agreement, if it decides (in its reasonable discretion) that repairs to the facility are unaffordable or uneconomic or that the facility can no longer be operated in an economic manner.

Portway Rugby Development Centre

- Under the existing terms and conditions related to funding the Council is liable for replacing the existing artificial carpet at a cost of £85,000. In order to achieve a nil revenue subsidy (currently £62,000 per annum) the Council is looking to fund a further £15,000 towards a small fitness suite which will increase throughput and income for Parkwood Leisure.
- These two initiatives combined total is £100,000. Parkwood Leisure requires the payment of this £100,000 upfront. The Council is currently exploring the option for Parkwood Leisure to use one of its trust partners - either a community Interest Company (similar to the Everyone Active model) or a Charitable Company to deliver the services. If a trust model is used then the upfront payment will be reduced to £70,000. Legal advice will be sought on the appropriateness of using this model.
- In any case this will be funded through Sports S106 funding as the need to replace the artificial carpet and enhance facilities at PRDC meets the criteria for using Sports S106 funding. The use of S106 for this purpose has been confirmed by the Planning Obligations Manager.

Risk

- Under this proposal the Leisure operator has responsibility for annual maintenance costs up to £30,000, and the Council is responsible for maintenance costs thereafter. It will be in the leisure operator's interest to keep maintenance costs to a minimum but in the event annual maintenance costs do exceed £30,000 per annum the Council will need to budget for this. Over the past five years maintenance costs have not exceeded £30,000 per annum

Other options considered:

NB – There is an exempt Appendix G relating to the financial aspects of options 1, 2 and 3

- 1. Parkwood to operate Jubilee – (This option requires an ongoing subsidy from the Council and does not achieve a nil revenue position for the Council)**
For Parkwood to operate Jubilee for a further 5 years with an annual revenue subsidy paid by BCC. Under this option Parkwood will take on all utility costs and increase their current maintenance liability.
- 2. Parkwood to operate the PRDC (This option requires significant upfront financial contribution from the Council and provides no certainty that profit share will be reached.)**
For Parkwood to operate the PRDC for 10 years with zero management fee, which would require BCC capital spend (to cover remodelling of the current building and replacement of the artificial pitch surface) plus a revenue payment to cover the deficit in Year 1. A proposed profit share arrangement forms part of this option from year two onwards.
- 3. Parkwood to operate both Jubilee and PRDC (This option for both sites requires greater upfront financial contribution than the recommended option. There is no certainty related to the profit share)**

For Parkwood to operate both sites with zero management fee, BCC capital spend (to cover remodelling of the current building and replacement of the 3G) plus revenue payment to cover the deficit in Year 1 and a profit share arrangement from year 6 onwards.

4. **Operate the facilities in-house (Presents high financial risk- Council is not effectively resourced to deliver these services in house)**
5. **Put the contracts back out to tender (Soft market test for Portway acknowledges there is no appetite in the market to run facility at zero subsidy. For Jubilee Pool there are 'competing facility' clauses on the Hengrove Leisure Centre PFI contract which restrict the potential benefit of this option)**
For Jubilee Pool there are implications around the PFI competing facilities clause and for Portway there was no appetite in the market for running the facility for a zero revenue subsidy
6. **Community Asset Transfer**
7. **Close the facilities**

Option 2 & 4 above include a proposed profit share mechanism. These require a higher one off Council payment compared to the recommended option outlined and secondly these options provide no certainty that profit share will be realised hence providing a greater financial risk to the Authority.

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1. **Recommendation(s) :**

Agree with Parkwood Community Leisure, a contract extension for Jubilee and a new contract for the PRDC for 5 years and 10 years plus 5 respectively, with a nil revenue subsidy. BCC will contribute a one off payment of up to £100,000 in Year 1 (2017/18), plus be responsible for annual maintenance costs above £30,000 at Jubilee Pool.

City Outcome: *Provision of Leisure Services – Improved Health*

Health Outcome summary: This proposal supports ongoing leisure provision and contributes towards public health priorities and outcomes eg Healthy Weight

Sustainability Outcome summary: This proposal will reduce carbon output from Bristol City Council sites (which reduces spend on the Carbon Reduction Commitment Energy Efficiency Scheme), and reduces the spend on utilities. While this means that the council will have no direct influence over energy consumption and carbon emissions at these sites, third party management of the council's sports and leisure sites is well established practice. This lack of control is mitigated by giving financial responsibility for utilities to Parkwood, which gives them a strong incentive to manage electricity, gas and water consumption at these sites as efficiently as possible. There is not expected to be any significant change to overall environmental impacts resulting from this proposal.

Equalities Outcome summary: This proposal continues to support the delivery of leisure services and has no adverse impact on equality groups. There will be improved service delivery.

Impact / Involvement of partners: A positive impact for key partners. *Leisure Operator engaged throughout the process and regular press statements issued on progress.*

Consultation carried out: *Leisure Operators, Senior Officers, Cabinet Members*

Legal Issues: Although there will be an initial payment of £100k the proposal amounts to a concession agreement. Officers have confirmed that the projected total turnover for the proposed agreement will be less than £4,104,394. The Concession Contracts Regulations 2016 therefore do not apply. The Council

must however ensure that it complies with its own procurement regulations, which would ordinarily require competition, although cabinet may accept that the circumstances outlined in the report justify a departure and direct negotiations with Parkwood Community Leisure.

The ACE employee who will transfer under TUPE to Parkwood previously TUPE transferred from the Council to ACE. The Council therefore must ensure that appropriate pension protection is in place for the employee.

Legal Officer: *Eric Andrews (Senior Solicitor)*

DLT sign-off	SLT sign-off	Cabinet Member sign-off
Alison Comley 12 th April 2017	Anna Klonowski 6 th June 2017	Cllr Asher Craig 13 th June 2017

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	NO
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Exempt Information	YES To follow

Appendix A

Financial considerations

1. The Council has removed £62,000 revenue subsidy as part of the 2017/18 budget approved by Full Council in February 2017 (reference RS24). The £62,000 related to full year utility (£47,000) and 50% maintenance costs (£15,000) which the Council pays. These budgets were previously held by Energy and Building Practice.
2. In addition the Sports expenditure budget has been reduced for the financial year 2017/18 to fit within a lower cash limit due to an historical issue described below.
3. A £1.1M budget reduction from the last MTFP was removed from the Sports budget, however the expenditure was split across the Sports budget (£750,000) and the Energy Management budget (£350,000). This issue has created a pressure on the sports budget which has been partially mitigated leaving a remaining pressure of £212,000. This issue is now being explored with Energy Management.
4. Part of the £212,000 pressure is the contractual agreements in place to fund Portway and Jubilee for 2017/18:

Portway = £62,000
Jubilee = £20,000
Total = £82,000

5. If we proceed with the recommendation in the report we would realistically need to pay the management fee for Jubilee through to the end of the current contract (Sept 30th) Assuming budgets remain as they are this proposal provides a saving of £41,000 against the cost pressure and a revised cost pressure to the Sports budget of £171,018 for 2017/18 (£212,018 less £41,000) and no additional saving to the General Fund base budget (See Table 1).

Service	Full Year Cost	17/18 part year costs	17/18 part year saving	Comments
Portway Rugby Management Fee	62,000	31,000	31,000	Saving against cost pressure due to issue described above
Jubilee Pool Management Fee	20,000	10,000	10,000	
Sub Total	82,000	41,000	41,000	
Jubilee Energy Costs	47,500	23,750	23,750	Partial achievement of £62k budget reduction
Jubilee Maintenance Costs	15,000	7,500	7,500	
Sub Total	62,500	31,250	31,250	
Totals	144,500	82,250	72,250	