



Cabinet 3 December 2008

Abbeycroft Leisure: Management Fee 2009/2015 (Dec 08/15)

1. Summary and Reasons for Recommendations

- 1.1 This report analyses the bid received from Abbeycroft Leisure (Abbeycroft) for the Management Fee to support the operation of the Council's Leisure facilities in 2009/2010 and Abbeycroft's proposal to enter into a five year Funding Agreement commencing from 2010/2011.
- 1.2 The recommendations have been developed following detailed assessment of Abbeycroft's proposals and will provide for an appropriate Management Fee level in 2009/2010 and the following five years; deliver Dynamic Review – Innovation, Value and Enterprise (DR-IVE) savings; and maintain leisure services for the community.

2. Recommendations

- 2.1 It is **RECOMMENDED** that subject to the approval of full Council as part of the budget setting process:-
- (a) a Management Fee totalling £730,000 be paid to Abbeycroft Leisure for the operation of the Council's leisure facilities in 2009/2010 in accordance with the provisions of the Leisure Transfer Agreement, consisting of:-
 - (i) £480,000 to support normal trading costs, to be met from the revenue budget 2009/2010; and
 - (ii) a one-off payment of £250,000 to meet additional costs arising from the closure of Haverhill Leisure Centre, to be met from revenue reserves; and
 - (b) subject to the outcome of a review of the cost of the closure of Haverhill Leisure Centre to be undertaken in September 2009 and any further required adjustments to the Management Fee for 2010/2011, the Corporate Director for Community, in consultation with the Portfolio Holder for Culture and Sport, be authorised to enter into a five year Management Fee Funding Agreement with Abbeycroft Leisure, as detailed in paragraph 4.3.2 of Report Z388.

3. Corporate Objectives

3.1 The recommendation(s) meet the following, as contained within the Corporate Plan:-

- (a) Corporate Priority: *'to improve the safety and wellbeing of the community';*
- (b) Cabinet Commitments: *'improving efficiency and value for money';* and
- (c) Vision 2025 V:L2: St Edmundsbury will be a place where *'the wide range of accessible leisure and cultural facilities on offer provide opportunities for all sectors of the community'.*

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4. Key Issues

4.1 Background

- 4.1.1 Abbeycroft Leisure has managed the Council's two leisure centres and other associated leisure facilities since their transfer in 2005. The services provided by Abbeycroft are determined by the Transfer Agreement and carried out in return for an annual Management Fee met from the Council's revenue budget.
- 4.1.2 The annual Management Fee has reduced in the years since the transfer, for example, the agreement of the base Management Fee for 2008/2009 at £507,000 allowed a DR-IVE saving of £68,000 to be made in the current financial year. However, the proposed closure of Haverhill Leisure Centre for twelve months commencing at the end of June 2008 has had a major impact on Abbeycroft's financial position in both 2008/2009 and 2009/2010, giving rise to the need for the annual Management Fee in these years to be increased to reflect the costs of closure. The principle of including the net revenue costs arising from the closure of Haverhill Leisure Centre within the annual Management Fee for this period was accepted by Cabinet on 19 September 2007.
- 4.1.3 The report produced by Abbeycroft Leisure in respect of its bid for the Management Fee for 2009/2010 is attached as Exempt Appendix 1 to Report Z388. Abbeycroft's report details the financial performance of the company and also contains Abbeycroft's Management Fee requirements for 2009/2010 taking into account the impact of the closure of Haverhill Leisure Centre.
- 4.1.4 Also contained in the report attached as Exempt Appendix 1, Abbeycroft has made reference to potential further investment in both leisure centres. The feasibility of these investments is still at an early stage and the officers will work with Abbeycroft to develop these proposals further for consideration by Cabinet.

4.2 Management Fee 2009/2010: Bid Assessment

- 4.2.1 Detailed in Exempt Appendix 1, Abbeycroft has set out a Management fee bid for 2009/2010 of £507,000 which again, is a base figure equating to a normal year's trading, together with an additional fee of £276,000 to cover the additional costs arising from the closure and re-opening of Haverhill Leisure Centre in July 2009. Abbeycroft Leisure has made efficiency savings during 2008/2009, however, it has faced significant utility cost increases which have reduced its ability to make further savings. The Management Fee bid figures for both the normal trading year and the cost of Haverhill Leisure Centre are as provided as estimates to Cabinet in November 2007.
- 4.2.2 Abbeycroft has also requested that the Council enters into a Management Fee Funding Agreement for five years commencing in 2009/2010. This would allow the company more certainty in its business planning and provide an opportunity for the Council to achieve planned reductions in fee levels over this period.
- 4.2.3 Abbeycroft has been successful in 2008/2009 in growing the business at Bury St Edmunds Leisure Centre and maintaining an extensive customer base at Haverhill Leisure Centre during the closure through the provision of 'The Pod', a temporary fitness suite and exercise class facility. In addition, further outreach activities have been provided and sports development has been boosted throughout the Borough. Abbeycroft has also helped establish and lead St Edmundsbury's Community Sports Network, engaged with the West Suffolk Local Strategic Partnership (LSP) and Haverhill Partnership, and is working as a key partner to develop the Haverhill Community Football Project. This work was reported to the Overview and Scrutiny Committee on 26 November 2008 and a summary is included in Report Z382, which is also contained

on this Cabinet agenda.

4.2.4 The officers have considered the Management Fee bid submitted by Abbeycroft and have met with representatives of Abbeycroft to discuss the matter. The officers support the majority of the financial information provided by Abbeycroft. However, it is considered that the estimates for utility costs are higher than required when the increased building performance at Haverhill Leisure Centre and falling fuel bills are considered. Taking this into account, working with Abbeycroft it has been agreed that the Management Fee base for 2009/2010 can be reduced to £480,000. This will deliver a recurring DR-IVE saving for 2009/2010 of £27,000. It has also been agreed with Abbeycroft that the additional Management Fee provision for the Haverhill closure could also be reduced by £27,000 to £250,000.

4.2.5 The figures provided by Abbeycroft and those assessed by officers are estimates developed using the best information currently available. It is not possible to give certain figures in respect of the recovery of business when the Haverhill Leisure Centre reopens especially given the current market conditions. It is therefore, proposed that the additional closure fee requirement be reviewed together with Abbeycroft in September 2009 and adjustments be made at that time if required. In the event of Abbeycroft's trading position being different from the estimates provided, this can be adjusted as part of the Management Fee settlement for 2010/2011.

4.3 **Abbeycroft Leisure's Proposal for a Five Year Funding Agreement**

4.3.1 Abbeycroft has also proposed that the Council enters into a five year Management Fee Funding Agreement commencing from 2010/2011. The officers would, in principle, support Abbeycroft's proposal for the five year Funding Agreement, however this requires further development work. Any agreement of this kind would need to allow for the adjustments which may be required arising from closure and business recovery costs in 2009/2010.

4.3.2 The original Abbeycroft proposal was for an Agreement which would reduce the fee from the proposed £507,000 base in 2009/2010 by 10% in 2010/2011 and by 5% in each of the following four years. Following the discussions with Abbeycroft which resulted in the fee for 2009/2010 being reduced by £27,000, an additional 5.3% reduction, it is proposed that the Agreement commence in 2010/2011 for five years reducing at 5% per year. Subject to any adjustment in the fee for 2010/2011 required to take account of the Haverhill Leisure Centre closure, the Management Fee in each year of the Agreement would be set as follows:-

	Management Fee	5% reduction
2009/2010	480,000	-
2010/2011	456,000	24,000
2011/2012	433,200	22,800
2012/2013	411,540	21,660
2013/2014	390,963	20,577
2014/2015	371,414	19,548
Total DR-IVE savings over 5 years		£108,585

<p>5. Other Options considered</p> <p>5.1 The Management Fee arrangement with Abbeycroft Leisure arises from the Transfer Agreement. Failure to agree an appropriate fee would create business difficulties for Abbeycroft which could result in reduced services and opportunities for sports activity for the communities within St Edmundsbury. It is possible to continue to agree the Management Fee on an annual basis however; this would result in additional officer time and would not provide Abbeycroft with a secure funding position for the future.</p>
<p>6. Community impact <i>(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)</i></p> <p>6.1 <u>General</u></p> <p>6.1.1 Abbeycroft Leisure use the financial support from the Council to provide a wide range of sport and leisure activities for the whole community to improve the health and well being of residents in the Borough. Many of these activities contribute to wider agendas including community safety, economic success and education.</p> <p>6.2 <u>Diversity</u></p> <p>6.2.1 Abbeycroft's services are available to the whole community. Outreach work focuses on engaging isolated communities and older people, whilst younger people and families are engaged principally through the use of fixed facilities. Abbeycroft also work with a variety of partner organisations to provide exercise opportunities for people with disabilities.</p>
<p>7. Consultation</p> <p>7.1 The Portfolio Holders for Culture and Sport; and Resources and Efficiency have been consulted during the preparation of this report and officers of Abbeycroft have been engaged in discussions to develop the proposals.</p>
<p>8. Resource implications <i>(including asset management implications)</i></p> <p>8.1 A Management Fee of £480,000 can be met from the budget for 2009/2010 and will deliver a recurring DR-IVE saving of £27,000. If a five year Funding Agreement of the Management Fee is agreed, as detailed in paragraph 4.3.2, further annual DR-IVE savings of between £24,000 and £19,548 will be delivered over the period of the Agreement.</p> <p>8.2 A non-recurring Management Fee of £250,000 to support the costs of the closure and re-opening of Haverhill Leisure Centre in 2009/2010 can be met from revenue reserves. Any increase in this one-off uplift of the Management Fee required following the review in September 2009 or following the consideration of Management Fee level for 2010/2011 can also be met from revenue reserves</p>

9. Risk Assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

9.1

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
Requirement for Management Fee increases	Medium	Accurate assessment of management fee 2009/15 with adjustments in 2009 and 2010 if required.	Low

10. Legal or policy implications

10.1 The Abbeycroft Management Fee arrangements are set out in the Service Transfer documents agreed in 2005. As a charity, Abbeycroft is unable to agree to any Funding Agreement which would threaten the viability of the organisation.

10.2 Services provided by Abbeycroft support a wide range of the Council's policies and corporate objectives.

Wards affected	All	Portfolio Holders	Culture and Sport; and Resources and Efficiency
Background Papers		Subject Areas	Leisure, Sport, Arts and Culture; and Finance