

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Investing in our Leisure Provision in West Suffolk and Establishing a Long Term Strategic Partnership Approach and Reduced Management Fee with Abbeycroft Leisure	
Report No:	CAB/SE/16/055	
Report to and date/s:	Cabinet	1 November 2016
	Council (where applicable)	20 December 2016
Portfolio holder:	Joanna Rayner Portfolio Holder for Leisure and Culture Tel: 07872 456836 Email: Joanna.rayner@stedsbc.gov.uk	
Lead officer:	Jill Korwin Director Tel: 01284 757252 Email: jill.korwin@westsuffolk.gov.uk	
Purpose of report:	To seek approval for recommendations to Cabinet regarding the creation of an investment fund for future leisure services improvement and to approve specific investment into Skyliner Sports Centre.	
Recommendations:	<p>It is <u>RECOMMENDED</u> that Cabinet:</p> <p>(1) approves the longer term strategic approach to leisure provision in West Suffolk, reducing the management fee payable, specifically agreeing:</p> <p>(a) support for the development of a new minimum 10 year partnership agreement with Abbeycroft Leisure according to the principles of the Council's Medium Term Financial Strategy and Promoting Physical Activity Framework;</p> <p>(b) flexibility in Abbeycroft's pricing policy as long as it meets the principles of the Promoting Physical Activity Framework;</p> <p style="text-align: right;"><i>Continued over...</i></p>	

	<p>(c) recommends to Council the creation of a strategic investment fund of £5m, funded from the strategic priorities and medium term financial strategy reserve, across West Suffolk (£3.5m FHDC and £1.5m SEBC) with delegated authority given to Cabinet (for sums of £500,000 or more), and delegation to the Portfolio Holder for Leisure and Culture, in conjunction with a Director and the Head of Resources and Performance (for sums of less than £500,000), to draw down from this fund in accordance with the principles set out in Report No: CAB/SE/16/055; and</p> <p>(d) agreement that the management fee reduction plan be reviewed should there be significant changes to Abbeycroft's operating costs that are outside of their control.</p> <p>(2) Due to the urgency of initial funding requests, it is also recommended that Cabinet:</p> <p>(a) recommends to Council approval for an additional £165,458 (ex VAT)[<i>note that final negotiations with Suffolk County Council are progressing and this figure will be confirmed at the meeting</i>] funding from unallocated capital receipts for the 3G pitch at Skyliner Sports Centre to meet the additional cost incurred to deliver a 3G pitch facility to meet FA and community requirements; and</p> <p>(b) approves an investment of £240,000 (ex VAT) into equipment for the Skyliner Sports Centre from the Council's approved capital invest to save fund.</p>
<p>Key Decision:</p> <p>(Check the appropriate box and delete all those that do not apply.)</p>	<p>Is this a Key Decision and, if so, under which definition?</p> <p>Yes, it is a Key Decision - <input checked="" type="checkbox"/></p> <p>No, it is not a Key Decision - <input type="checkbox"/></p> <p>(a) A key decision means an executive decision which, pending any further guidance from the Secretary of State, is likely to:</p>

	<p>(i) be significant in terms of its effects on communities living or working in an area in the Borough/District; or</p> <p>(ii) result in any new expenditure, income or savings of more than £50,000 in relation to the Council's revenue budget or capital programme;</p> <p>(b) A decision taker may only make a key decision in accordance with the requirements of the Executive procedure rules set out in Part 4 of this [the] Constitution.</p> <p>Key Decision in part, with some recommendations being referred to Council, where funding requested is outside the budget.</p>
<p><i>The decisions made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included on the Decisions Plan.</i></p>	
<p>Consultation:</p>	<ul style="list-style-type: none"> • Full consultation with Abbeycroft Leisure to develop approach and ongoing work; Suffolk County Council (SCC) Public Health regarding wider health outcomes
<p>Alternative option(s):</p>	<ul style="list-style-type: none"> • Do not support Abbeycroft with investment to support management fee reduction
<p>Implications: Abbeycroft fails to reduce its management fee requirements in an acceptable time or to an acceptable level</p>	
<p><i>Are there any financial implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> • As detailed in the report • Invest to save proposal of £240,000 from current approved capital invest to save budget • Additional Contribution to 3G pitch of £165,458 <i>[note final negotiations with Suffolk County Council are progressing and this figure will be confirmed at the meeting]</i> • Creation of strategic capital investment facility of £1.5m funded from the Council's strategic priorities and medium term financial strategy reserve
<p><i>Are there any staffing implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> • Abbeycroft to consider staffing implications as part of their business planning
<p><i>Are there any ICT implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> • Abbeycroft to consider ICT implications as part of their business planning

<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> The approach detailed in this paper will support the development of a new 10 year management agreement with Abbeycroft Leisure and will seek to align the maintenance responsibilities across the West Suffolk facilities. 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Access to sports and leisure opportunities must encourage those groups who traditionally find it more difficult to access leisure opportunities. This is detailed in Promoting Physical Activity Framework Abbeycroft to consider equality implications as part of their business planning. 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Planned investment fails to deliver the savings predicted	MEDIUM	Business case provided for each investment proposal shows how return will be made	LOW
As a result of Business Rates revaluation the amount of business rates paid by Abbeycroft Leisure may increase or decrease	MEDIUM	Continue to monitor the 2017 valuation outcomes and feed into 10 year management fee and business planning	MEDIUM
Competition impacts market share impacting revenue meaning management fee savings not met	HIGH	Investment in facilities to ensure attractive and competitive	MEDIUM
Wards affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		https://democracy.westsuffolk.gov.uk/ieDecisionDetails.aspx?AIId=2701 24 March 2015 Cabinet Transfer of Land to Suffolk County Council for New School at Moreton Hall, Bury St Edmunds Report No: CAB/SE/15/022	
Documents attached:		Appendix 1: Repairs, maintenance and servicing liability leisure buildings excluding Abbeycroft responsibilities	

1. Introduction

- 1.1 Abbeycroft Leisure was established as a Leisure Trust in 2005, operating Bury St Edmunds and Haverhill Leisure Centres along with sport development and outreach programmes on behalf of St Edmundsbury Borough Council.
- 1.2 The trust acquired Social Enterprise status in 2010 and has continued to grow and now operates 12 facilities attracting in excess of 1.6 million visits and employs 450 staff.
- 1.3 The Trust has also engaged in a large number of national and local initiatives that has contributed to the Council's objectives and encouraging local communities to be active. To name a few this included:
 - 1.3.1 International sports events such as the Aviva Women's Tour Cycling Race.
 - 1.3.2 Hosting the Rwandan Olympic and Paralympic Pre Games Training Camp and Community Development Programme.
 - 1.3.3 Monday Mums – A Pre Natal Support Group, delivered in partnership with West Suffolk Hospital, enabling expectant mothers to engage in physical activity.
 - 1.3.4 Delivering a free swim initiative that continues today.
 - 1.3.5 Annual Sports Awards – Celebrating local sporting achievements
 - 1.3.6 Stand Tall – An initiative using sport and physical activity to assist young people with anxiety and depression.
- 1.4 In 2013 Abbeycroft Leisure actively commenced working in partnership with Anglia Community Leisure with the employment of a joint chief executive. This decision was made in response to the changing dynamics of local government and mirrored changes being made by other stakeholders including Forest Heath District Council (FHDC) and St Edmundsbury Borough Council (SEBC). This involved the trusts continuing to work independently but using the same resource.
- 1.5 In 2014 both trusts agreed to formally merge and the merged company became operational on 1 April 2015. The first year saw the trust concentrating on stabilising operations and ensuring that the trust focused on establishing its operating model and developing its strategic plan.
- 1.6 St Edmundsbury Borough Council leases the leisure centre buildings to Abbeycroft and the Council retains responsibility for forward planned maintenance, preventative and re-active maintenance. Appendix 1 shows the amount St Edmundsbury Borough Council has allocated for maintenance and servicing up to 2022, a total of £6.5m, £5m of which is for major plant renewal in 2021/2.
- 1.7 St Edmundsbury Borough Council has been clear that its ambition is to reduce the management fee for operating leisure centres to zero by 2025, maintaining

payment only for sports' development and strategic leisure activities carried out on behalf of the Council and support for special events. The management fee paid to Abbeycroft in 2016/17 is £212,000.00.

- 1.8 The Council and Abbeycroft have been working together for a number of years to reduce the management fee through initiatives such as improved Bury Studio, fitness development, Bury Supersize Studio, Haverhill fitness development stage 1 and 2, soft play and catering. The table below shows the management fee reductions achieved since 2009. Despite these reductions, Abbeycroft has seen its business grow and usage figures are included in the table.

Table 1: Actual Management Fee Payments 2009 - 2016

Year	Management Fee payments by SEBC	Customer Numbers
2009/2010	£784,000	678,894
2010/2011	£389,756	862,578
2011/2012	£340,000	926,086
2012/2013	£300,000	912,654
2013/2014	£280,000	941,820
2014/2015	£260,000	958,544
2015/2016	£232,000	965,454
2016/2017	£212,000	
Total Saving from 2009 to 2017	£572,000	

- 1.9 Previously the Council had approached savings on a mixture of three year or annual basis across West Suffolk. Now, as set out in the Council's own thinking around medium term planning we now need to bring our partner in line with a longer term strategic planning approach. In recognition of the continued financial challenges on the public sector and that the pressure in the longer term could be worsened with the uncertainty of local government finances, the Council is striving towards achieving self-sufficiency so it is important that our partners seek to achieve their own financial resilience and self-sufficiency.

2. Establishing a long term strategic partnership approach and reduced management fee with Abbeycroft Leisure

- 2.1 Looking to the longer term where Abbeycroft will deliver leisure services for the Borough without the need for a management fee payment, the Council and Abbeycroft have been working together to:

- 2.1.1 develop an outcomes based **Partnership Agreement** for the benefit of West Suffolk residents and businesses, having regard to West Suffolk's strategic leisure intentions;

- 2.1.2 develop a Service Level Agreement for sports development work;
 - 2.1.3 achieve complete clarity re costs, fees and savings and third party agreements that are included in the management fee;
 - 2.1.4 agree a suitable period for the new lease and agreement , having regard to Abbeycroft's need to achieve length of tenure that unlocks funding; and
 - 2.1.5 jointly develop a maintenance and investment plan and prioritise spend linking to West Suffolk's six year rolling plan and Abbeycroft's one year maintenance plan that balances protecting the asset with customer service and user attraction and address the legacy latent defect issues.
- 2.2 In support of this, the Council has been reviewing its lease agreements and building management arrangements and costs and has been supporting Abbeycroft in strategic conversations to develop its wellbeing role. The Council has also supported Abbeycroft with opportunities to derive savings from energy initiatives, in particular electricity supply. Given the Council's ownership on the sites, however, it is recognised that the property costs will still remain with the Council which is not unusual.
- 2.3 Abbeycroft are limited in their ability to review pricing structure as this is specified in the existing management agreement. Greater flexibility in concessionary pricing is sought by Abbeycroft and the principles from the Promoting Physical Activity Framework provide a clear framework in which this could be done. Cabinet is asked to agree that the new Partnership Agreement allows such flexibility.
- 2.4 Whilst the purpose of the negotiations with Abbeycroft are to reduce the management fee for leisure services to zero and to agree a long term plan, it must be recognised that there could be circumstances that should trigger for a review of the management fee reduction plan. Where there are significant changes to Abbeycroft's operating costs that are outside of their control such as a significant rise in utilities, pension costs or significant changes to business rates, it is recommended that Abbeycroft will be able to request a review of the management fee. Cabinet is asked to approve such a review provision and it will be reflected in the new Partnership Agreement.
- 2.5 Through this process Abbeycroft have agreed to:
- 2.5.1 provide an open book approach on return on investment to ensure transparency;
 - 2.5.2 share plan for reduction, showing profile of reductions up to 2022, and commitment to be zero by 2025;
 - 2.5.3 explore wider opportunities that meet the Trust's priorities; and
 - 2.5.4 be clear how new business with other councils or organisations could benefit the management fee.
- 2.6 This work will be completed in December 2016 with a further report to Cabinet.

Longer term there is an opportunity for a further fundamental review of the Council's role in leisure provision, in particular having regard to its increasing importance in health and wellbeing. Some of the examples included in 1.3 above have been funded by specific public health grants and as the landscape of public services changes the fiscal relationship between health and leisure can be further explored. Further work will also be needed to review the responsibilities for maintenance and the adequacy of the Council's provision in this regard.

3. Investing in our leisure services

- 3.1 The principle of capital investment to enable revenue return and/or generation of income is well established within West Suffolk, so as part of the negotiations, it was recognised that Abbeycroft could seek financial support for capital investment from SEBC on an "Invest to Save basis" to enable a zero management fee to be achieved.
- 3.2 Abbeycroft has been undertaking a review of the leisure assets and market opportunities and has established that an investment fund of around £5m would act as one of the enablers to delivering a zero management fee in the medium to longer term. This investment fund would be available for schemes that would provide new capacity or upgraded facilities. It is therefore proposed that a £5m (£3.5m FHDC and £1.5m SEBC) fund, is created within each Councils' capital programmes, funded from the Council's strategic priorities and medium financial strategy reserve. Cabinet is asked to recommend to full Council the creation of such a fund and more detail of the type of investments that would be applied for from that fund will be available for consideration by full Council on 20 December 2016. This fund is in addition to the funds required below.
- 3.3 Council is asked to delegate the commitment of spend from that fund to Cabinet (for applications of £500,000 or more) and to the Portfolio Holder for Leisure and Culture, in conjunction with a Director and the Head of Resources and Performance (for applications of less than £500,000). Decisions on the specific investment proposals will be considered on:
 - 3.3.1 the robustness of the detailed business cases submitted for each proposal; and
 - 3.3.2 how the proposal supports the Council's priorities and the Promoting Physical Activity Framework.
- 3.4 This £5m (£3.5m FHDC and £1.5m SEBC) investment opportunity is in line with the internal rate of return within the Council's Medium Term Financial Strategy of 10% (as the management fee is planned to go to zero in return) and, therefore, meets the desired return when appraised on the basis of being funded by prudential borrowing. Actual borrowing will only take place when the Council's treasury management activities identify such a need, for example, the Council's cash flow management activities project that an external cash injection is required to maintain the appropriate level of cash balances for the Council to operate and fulfil its budget and service delivery requirements.
- 3.5 The Council currently manages funds in excess of this and therefore, external borrowing is not expected during the life of this investment for this investment in isolation. The proposal is that the funding for this investment is financed

from a strategic revenue reserve, therefore it is proposed that the full revenue returns of this investment opportunity is realised to support the general fund budget. Full details of the investment and returns timings are expected by the end of December 2016 in line with the work set out in section 2 above.

- 3.6 It should be noted that should a proposal for a new leisure centre come forward this would be subject to a separate business case and proposal outside of this investment fund.

4. Skyliner Sports Centre: 3G pitch additional funding

- 4.1 Skyliner Sports Centre is due to open in January 2017, and will be a high quality dual use sports facility that will be enjoyed by the pupils of the new Sybil Andrews Academy and the wider community. In March 2015, SEBC Council approved the transfer of 11.38 acres of land to Suffolk County Council (for a fee) to enable the building of the school and community facility and agreed a capital contribution of £1,366,460 towards the building of the shared sports facilities (Cabinet Report No: CAB/SE/15/022 refers). All marketing and staffing costs are being met by Abbeycroft within the existing management agreement and fee.
- 4.2 The centre includes a 3G pitch that will be used by both school and community clubs. The costs for delivering the 3G pitch to a size and standard acceptable to local clubs and to meet Football Association (FA) standard means that the specification (and cost) of this element of the build has exceeded that required by the school and so there has been an increase in the delivery costs for this element of the build of £165,458. Suffolk County Council is seeking this additional contribution from St Edmundsbury Borough Council. Whilst a pitch would always have been delivered for the school, the higher specification and cost increase is a reflection of the standard needed by Abbeycroft to make it commercially viable. The total cost for the delivery of the 3G pitch will be £625,189, a cost in line with that of the 3G facility at Haverhill. *[Note: final negotiations with Suffolk County Council are progressing and this figure may be updated at the meeting].* Bookings for this new pitch are already at 65% for peak evening use and 25% for weekends and the success of this pitch will contribute to the reduction in management fee for Abbeycroft. Cabinet is asked to recommend to full Council, approval of this additional investment with costs being met from unallocated capital receipts.

5. Immediate invest to save opportunity: Skyliner Sports Centre: Gymnasium equipment

- 5.1 When the draft costings for the new leisure centre were produced, they focused on build and not fit out. There was no agreement with Abbeycroft as to who would meet such costs and the existing management agreement does not address this issue. Abbeycroft are seeking a maximum investment of £240,000 in gymnasium and ancillary equipment from SEBC and in return will guarantee a reduction in management fee of £40,000 from 2017/18 onwards. This represents a return on investment of 16.67%. Abbeycroft have applied for external funding towards the cost of this equipment through the New Anglia Local Enterprise Partnership's Growing Business Fund, and if successful, 20% of this cost could be funded by the Growing Business Fund. This can be funded from the Council's capital invest to save fund and meets the requirements of that fund given the level of return it will deliver.

6. How does this investment support our Promoting Physical Activity Framework?

6.1 The investment will enable Abbeycroft to equip its gymnasium with a variety of equipment which will form part of the way this new leisure centre will promote physical activity. Specifically, it will address the elements of the framework as show below:

6.1.1 **Social and community:** the leisure centre is a shared asset with Sybil Andrews Academy

6.1.2 **Economic:** as shown above the investment meets the requirements of the Medium Term Financial Strategy

6.1.3 **Personal experience:** the range of facilities and activities on offer at the leisure centre are designed to provide opportunities for physical activity that are accessible, inclusive, welcoming, nurturing and convenient. The gym equipment will form part of that offer.

6.1.4 **Health and wellbeing:** this facility will encourage active people remain active and encourage more people to become active by offering good quality facilities in a convenient location.

7. Abbeycroft's investment in St Edmundsbury facilities to date

7.1 In considering these investment opportunities it is helpful to understand the track record Abbeycroft has in delivering an improved leisure offer. Abbeycroft have made significant investments into facility improvements over a number of years to ensure that the facilities remain in line with customer expectations, meet market demands and to assist in the reduction of the management fee. Much of the cost of these investments has been met by Abbeycroft as shown in the table below.

TABLE 2: Investments in Improvement to Abbeycroft Facilities

Project	Amount	Investment Type
Bury Studio	£120,000	Abbeycroft Investment
Haverhill Fitness Development	£271,000	Abbeycroft £191,000 Council £80,000 contribution
Haverhill Soft Play and Catering	£100,000	Abbeycroft Investment
Bury Fitness Development	£230,000	Abbeycroft Investment
Environmental Initiatives	£150,000	Abbeycroft Investment through a council loan facility
Haverhill Fitness Development 2	£100,000	Abbeycroft Investment
Bury Supersize Studio	£120,000	Abbeycroft Investment

APPENDIX 1**Repairs, maintenance and servicing liability leisure buildings excluding
Abbeycroft responsibilities**

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Bury St Edmunds Leisure Centre*	42,300	65,300	39,300	27,300	32,300	*5,028,300
Haverhill Leisure Centre	334,450	43,800	24,300	23,800	28,800	273,800
Recreation Grounds North	148,500	44,000	215,500	20,500	21,500	17,000
Recreation Grounds South	8,100	18,500	44,100	17,000	10,100	7,000
TOTALS SEBC	533,350	171,600	323,200	88,600	92,700	5,326,100

* Note £5m included for major plant renewal (allowance for renewal of the swimming pool mechanical services and filtration systems)

Overall total £6,535,550 Excludes Skyliner Sports Centre