



Environment Overview and Scrutiny Committee

Date:	Wednesday, 30 January 2019
Time:	6.00 p.m.
Venue:	Committee Room 1 - Wallasey Town Hall

This meeting will be webcast at
<https://wirral.public-i.tv/core/portal/home>

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AGENDA

- 5. BUDGET PROPOSALS – SCRUTINY WORKSHOP REPORT (Pages 1 - 38)**

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Environment Overview and Scrutiny Committee Wednesday 30th January 2019

REPORT TITLE:	2019/20 Budget Proposals Scrutiny Report
REPORT OF:	Councillor Tony Jones, Chair of the Committee

REPORT SUMMARY

This report presents the findings of two scrutiny workshops for the Environment Overview & Scrutiny Committee in relation to scrutinising the 2019/20 budget proposals. A report is included as an appendix to this report. The Environment Overview & Scrutiny Committee is requested to acknowledge this report as its response to the 2019/20 budget proposals to be referred to Cabinet as part of its considerations in developing any budget recommendation to Council.

RECOMMENDATION/S

- Committee acknowledges this report as its response to the 2019/20 budget proposals, adding any amendments as necessary.
- Committee refers this report to Cabinet as part of its considerations in developing any budget recommendation to Council.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

The recommendations will enable the Environment Overview and Scrutiny Committee's comments in relation to the 2019/20 budget proposals to be referred for future consideration by Cabinet.

2.0 OTHER OPTIONS CONSIDERED

Not Applicable

3.0 BACKGROUND INFORMATION

3.1 As part of the budget scrutiny process, the list of budget proposals falling under the remit of this committee was considered by the Chair and Party Spokespersons and two proposals were then prioritised for further scrutiny. These were:

- Expert Operator of the Floral Pavilion
- Expert Operator of the Golf Courses

3.2 Scrutiny workshops were held on 4th December 2018 and 16th January 2019 and relevant officers were invited to these to present the proposals and to respond to questions from Members. The final report of the workshops is attached to this report.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising from this report.

7.0 RELEVANT RISKS

7.1 There are none arising from this report.

8.0 ENGAGEMENT/CONSULTATION

8.1 Not Applicable

9.0 EQUALITY IMPLICATIONS

This report is for information to Members and there are no direct equality implications.

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APPENDICES

Appendix 1: 2019/20 Budget Proposals Workshop - Scrutiny Report of the Environment
Overview & Scrutiny Committee

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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2019/20 Budget Proposals

Report of the Environment Overview & Scrutiny Committee

30th January 2019



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1. Introduction

Dedicated 2019/20 budget proposal workshops for Members of the Environment Overview and Scrutiny Committee were held on Tuesday 4th December 2018 and 16th January 2019.

The workshops provided the committee with the opportunity to examine in greater detail a number of budget proposals affecting services that fall under the remit of the committee. The budget proposals selected for further examination were identified by the Chair and Party Spokespersons as those deemed to be of greatest significance in terms of value and the public interest. This report summarises the proposals scrutinised and the comments and suggestions of Members attending the workshops.

At the commencement of the workshop, a statement was read out by the Party Spokesperson for the Conservative Party and it was requested that this be recorded as part of the scrutiny process into the budget proposals. The statement is detailed below:

“The Conservative Group would prefer these meetings to be held in a public, open meeting where it is minuted and recorded.”

2. Budget Proposals

2.1 Expert Operator of the Floral Pavilion

Summary of Proposal

The proposal is to transfer the Floral Pavilion Theatre and Conference Centre at best consideration as a going concern on a long lease to a suitable alternative provider. The Floral Pavilion currently costs the Council £899,300 per year to keep open. The savings from the transfer of the Floral Pavilion is expected to be an annual revenue saving of £550,000 (current net expenditure less fixed support costs and capital charges). This is predicated on the Council's preference for a model which allows for discretionary services to generate their own funds so they can grow.

The detailed budget proposal is outlined in the report to Cabinet on 26th November, 2018. This is attached as **Appendix 2**.

Workshop 1 - Summary of Member / officer comments

- Members queried the achievability of implementing the proposal to generate the savings within the year, as this may put more pressure on the Council's budget. Questions were also raised as to whether any soft market testing had been carried out. In response, Members were informed that, as part of research undertaken, engagement was made with a theatre expert who has experience within this particular business. The theatre was described as a "North-West theatre on the coast" to a number of big theatre operators, with one big operator expressing an interest in the property on a long-term lease or freehold. Officers added that this testing indicated interest and that when the theatre is subject to more thorough marketing, it is expected that more interest will be generated.
- Officers were questioned about the viability of theatres nationwide and their profitability as there is some reliance on subsidies being provided. In particular, Members were concerned that there may be a risk that the Council may need to provide subsidies to the operator in the future. Members were informed that the two biggest theatre chains in the country manage approximately 20 theatres each and have substantial experience, understand the business and generate profits. Officers expressed confidence in the success of the Floral Pavilion moving forward if one of these operators was interested. Members added that it would be useful to identify those theatres that were in receipt of any Council subsidy as it is understood that even the best run theatres are still reliant on it.
- Members commented that if the big theatre operators are generating profits without reliance on subsidies, whether there has been any consideration to how the Floral Pavilion is staffed and on employing a manager to be more commercial. Clarification was provided by the Cabinet Member that the Floral Pavilion does have a manager with experience but, as a Council running a theatre, there are difficulties in trying to achieve economies of scale. It was explained that the more prestigious shows would cost more and the impact of this may result in a loss being made.
- Officers were questioned as to whether the Floral Pavilion could be extended to increase its existing capacity to attract bigger acts. It is understood that when the

Floral Pavilion was built, height restrictions were placed on it so it is currently at its maximum height. However, there is an opportunity to look at the seating pattern but this will not significantly increase the number of seats that could be made available. Members did acknowledge that one of the benefits to the existing seating arrangement and capacity is the intimate atmosphere.

- Members sought assurances that the 'Blue Room' within the Pavilion would remain for the benefit of local bands. Members were informed that the opportunity for these bands should still be there and the operator that runs it will be looking at the commercial approach.
- Members commented on the number of schools and school children that use the Floral Pavilion. In particular, its use for various events paid for by the Council or the schools themselves. There was a concern that Wirral Council will lose control over pricing structures to ensure schools are not priced out of the market if the objective for the operator will be to generate a profit. This was acknowledged by officers and Members were informed that any conditions imposed on operators may make the proposition of operating the Floral Pavilion less attractive.
- Members highlighted the legal implications of an external operator running the Floral. It was highlighted that the Cabinet report makes reference to the fact that restrictive covenants can be challenged after 40 years but Wirral is proposing a long lease for the Floral Pavilion. There was a concern that Wirral may not be able to restrict its use to that of a theatre only. Officers provided clarification that legal advice provided did allow for restrictive covenants to be challenged by leaseholders after 40 years but the Council, as the freehold owner, would seek to defend the restrictive covenant so that the that the Floral Pavilion can only be operated as a theatre.
- Officers were queried as to whether there has been any consideration to maximising the potential of the Floral Pavilion's facilities on a regular basis which may help release other Council assets in the portfolio that are not used as much, such as meetings or conferences. Members were informed that there is a review taking place to increase bookings with the conference centre to understand how rooms are used and prices are charged. The objective is to make it more financially viable.
- Members noted that the group of volunteers that has been generated by the theatre has been invaluable and that it would be a loss to the Council if they did not remain.
- Members noted that the proposal will include staff moving over to the operator under TUPE. Members queried if the upskilling of staff had been considered. Members were informed that significant work has been carried out with theatre staff over the previous 18 months. This includes increasing secondary spend around the bar and catering operations. Training on marketing and programme and audience development has also been delivered.
- It was noted that there is no reference to social value, including social output and age profiles and footfall within the budget proposal. Additionally, it was queried why an alternative delivery model of a community asset transfer was not explored and consultation carried out, including the use of volunteers. It was explained that cooperatives and charities are proven at engaging people and staff and empowering them, but it would not provide a total solution for the Floral Pavilion and the 900k subsidy that would need to be found to operate it. Given the time for an

organisation of this type to form and move the Floral Pavilion into a profitable state, officers stated that the ability to reduce the subsidy would be an issue.

- Officers were asked to clarify whether other services under the leisure portfolio could come under pressure if savings related to the Floral Pavilion were not realised. The Cabinet Member indicated that no formal decision has been taken on any others areas within the portfolio and, as a result, there are no other proposals for Members to consider. It was also stated that if savings are not realised from the Floral then savings will need to be made elsewhere across Council budgets due to the financial pressure.
- A number of questions relating to secondary spend were raised. Members highlighted the bar being closed following the end of an act and this was acknowledged by officers. It was highlighted that a late bar was previously trialled but that financial losses resulting from this made this non sustainable.
- Members queried the budget proposal report which states the £900k subsidy to support the Floral Pavilion but the recommendation details only a £550k revenue saving. It was explained that under accounting rules, the cost of the service is reflected under the cost of the asset and the £250K is the result of depreciation and is a theoretical cost in the council's accounts which would not be saved if transferred. An additional £100K relates to the pensions deficit which contributes to the overall pensions deficit for the council.
- Queries were raised around an option to potentially reduce the subsidy to the Floral Pavilion over a number of years if an operator is not initially identified. It was explained that the £900K budget was the target set for the Floral Pavilion but over the years it has overspent and this target has not been met. Some of the overspend was reduced last year to around £60K so the budget target is already difficult to achieve.
- Members queried what reviews have been undertaken to reduce the subsidy to the Floral Pavilion. Officers stated that it is their understanding that there has not been a regular annual review but there is a Business Plan that is updated every year to look for efficiencies.

Following a number of detailed questions relating to the Floral Pavilion, Members suggested it would be useful to be provided with additional information, including sight of a number of reports, at an additional workshop. Information included the audience figures, more detailed financial reports and sight of the BWB Libraries, Leisure, Parks and Cultural Services.

Workshop 2 - Summary of Member / officer comments

- A number of queries were raised in relation to the subsidy the Council provides the Floral Pavilion. Members received clarification that the budget subsidy is the Council's full revenue contribution for the shortfall of its income against its expenditure, which also includes salary and other service expenditure costs. Income for the Floral is £1.7m per annum but expenditure is £2.6m, resulting in a £900k budget shortfall. The saving for the proposal is £550k. The remaining £350k is the £250k depreciation that is charged and a £100k contribution towards the Council's overall pension deficit. Both these amounts would not be saved by this proposal.

Additionally, the Floral Pavilion had an overspend of £60k in 2017/18 and this resulted in a subsidy of approximately £960k being contributed. Officers also reassured Members that the Council's position would be to achieve zero subsidy in the first year.

- Queries were raised around the effectiveness of promoting the Floral Pavilion's conference facility and its use as a wedding venue and whether the lack of surrounding hotels was an issue. The lack of apparent promotion for the Floral Pavilion outside of Wirral was a concern. Officers acknowledged the venue as a desirable venue for weddings and that further marketing of it as part of the current work streams are being carried out. It was also acknowledged that the wedding market is bigger than previously identified. The lack of large hotels was acknowledged as an issue.
- Officers clarified that there is a small discount for the Council to use the conference centre but it is the view that market rates should be applied across the board to anyone who wishes to book it.
- An observation was made that when pantomime shows were performed, there was a lack of drinks and food for children and that the Floral should be competing against other venues in the vicinity. Officers accepted that this should be happening and will pursue it further as part of the catering concession.
- It was recognised by Members and officers that work needs to be undertaken to address issues with the theatre's toilets. It is understood that a capital bid is being progressed for these. Members were informed that the Floral Pavilion would now need further investment to maintain it to a suitable standard, including general maintenance and replacing production equipment. Under the current arrangements, more costs would therefore be incurred by the Council.
- Members expressed concern that the Council may need to spend heavily on the theatre before it is transferred. Officers clarified that the Repair & Maintenance budget for the Council is £1.2M and that £80k of this has already been spent from the 2018/19 financial year to address issues identified. Maintenance costs will continue to be incurred as required but it was explained that, compared to other theatres, this is low risk for an operator to take on as it is a relatively new building.
- Members sought clarification on any potential operator being made aware of all works which needed to be carried out in the theatre before agreeing to operate it to ensure that the savings target can be achieved. It was explained by officers that if the Council did proceed with the budget proposal, it would be a key point of negotiation with any interested operator on what work would need to be done and whether the Council or the operator would be responsible. If a joint condition survey is requested, this will be undertaken and it is understood that it is a simple process. Under the lease agreement, the operator would be responsible for ongoing maintenance and for ensuring the condition is kept to the expected standard.
- Members queried the Floral Pavilion's accounts. Members were informed that rising staffing costs were due to annual pay increase, National Insurance and pension increases. In response to the large advertising budget, it was explained that the majority of this is expenditure on production costs for putting on shows and that this is how it is reflected in the accounts. It was also explained that there was a change in VAT treatment in 2018 and this is the reason why income levels appear to have

reduced. However, expenditure in previous years was netted off and there is no difference.

- Clarification was given on staff working at the Floral Pavilion and the TUPE arrangements. There are 38 equivalent employees working full time, with 37 actual employees and the remaining one consisting of a number of employees working the equivalent hours of one full time employee. The proposal is to TUPE transfer staff and discussions have taken place with Trade unions who are suggesting TUPE Plus arrangements are explored to give employees more protection. Officers are waiting for clarification from them on what this would entail.
- The option of a Community Asset Transfer was not explored by officers as the advice and guidance taken from the theatre consultant advised that a charitable model would still require an ongoing subsidy from the Council. Officers reiterated that the Council wants to achieve the two objectives of keeping the Floral Pavilion as a theatre for the people of Wirral and without the cost to the Council. It was suggested that the alternative operator model is the option which could help achieve this through economies of scale on theatre productions across a number of theatres.
- Members were informed that the budget options were still being consulted on. 1200 responses have been received from residents at this point. In relation to a question asking residents about a proposal to transfer the Floral Pavilion to an alternative operator, it is noted that there is significant support for it and the full results will be reported once the consultation has closed.
- Members suggested that a competitive tender process to identify a potential operator would be beneficial to ensure value for money and to identify who would be best placed to address existing issues with the Floral Pavilion and deliver productions to meet the needs of the public. Members highlighted a concern that there may not be significant interest to make the transfer competitive. Officers acknowledged this and stated that if there was only one operator who was interested, the Council would then need to measure it against what the Council wants to achieve before any agreement is made.
- Members were reassured that if the operator did not deliver or went out of business, the Council would take it over again if that is the request of the Council. Additional protections for staff could also be provided under TUPE Plus but discussions are still ongoing with Trade Unions who need to set out what they are seeking from TUPE Plus.

2.2 Expert Operator of the Golf Courses

Summary of Proposal

The Council runs three 18 hole golf courses, one 9 nine hole golf course and two 'fun courses' (pitch & putt and Crazy Golf). The operational revenue cost of municipal golf in Wirral in the financial year (2018/19) is £255k (£430k if the current overspend is included). The budget proposal outlined in the Cabinet report dated 26th November 2018, outlines that a number of reviews of Council golf provision have been undertaken in previous years and have highlighted the need for further capital investment to ensure they remain playable. The report states that the current service model for this service is therefore financially unsustainable. The proposal is to transfer Arrowe Park and The Warren Municipal Golf Courses to an alternative specialist golf provider on a long lease, while the Council retains the freehold ownership.

The detailed budget proposal is outlined in the report to Cabinet on 26th November, 2018. This is attached as **Appendix 3**.

Workshop 1 - Summary of Member / officer comments

- Members noted that Brackenwood Golf Course was not included as part of the budget proposal due to its inclusion in the Open Space Review. There were concerns over the condition of the course and on the future proposal to transfer this course to an alternate provider upon inclusion in the Open Space Review. Officers provided clarification that potential operators were aware of this.
- In response to queries around the previous attempt to contract out the golf course in 2014, Members were informed that Wirral worked with Cheshire West & Chester Council on a procurement exercise to let out a contract for the management and operation of the golf courses. Market testing was undertaken to identify interest and it is understood the terms of the contract were limited to 25 years. Wirral only identified one interested provider but this did not represent competition under the Contract Procedure Rules so it did not continue. Cheshire West & Chester operate under different Contract Procedure Rules and were able to contract with a different provider on a 25 year lease.
- Members expressed concern that the charging policy may price some users of the golf courses out of playing and the social benefits may be lost. Additionally, it was noted that this risk was set against a relatively small saving which will be made through the proposal.
- Members were informed that a further soft market testing exercise was undertaken in January 2018 and clarified that potential operators who responded require a long term lease of over 25 years. Additionally, discussions were held around secondary spend and how money would be raised and invested in the courses.
- A number of concerns were raised over the two golf courses not included as part of the proposal. It was suggested that the competition from these may dissuade any potential operator from taking over. Officers clarified that potential operators are aware of these golf courses and there are no concerns.

- Members highlighted the issue of collecting payment from the high number of people playing golf on the courses that intentionally do not pay. Members stated that more needs to be done in this area to ensure income is maximised. Officers pointed out that in the last 18 months, there have been patrols carried out to challenge users who have not been paying with numbers being small in terms of the revenue being raised. Patrols are undertaken approximately 2 hours per day and at various times. Officers pointed out the cost of staff time invested to undertake this against potential income that could be received has to be considered.
- Members queried how more income can be generated from golf courses and it is understood from officers that there is a more robust client / contractor relationship in place with Leisure Services in respect to promoting Invigor8 products and ensuring revenue is generated from the golf courses. A reorganisation was also undertaken in 2017 in relation to staffing levels and this has resulted in an increase in sales and secondary sales.
- There was a concern that Invigor8 memberships may reduce if the golf course are not included as part of the proposal for an operator to manage the two golf courses.

As with the Floral Pavilion budget proposal, Members suggested more detailed financial information should be presented to the next workshop, including details on income and expenditure across all golf courses.

Workshop 2 - Summary of Member / officer comments

- A comment was made in reference to the BWB consultancy report which was critical of the quality of the greens on the golf courses. Members who used the Golf course found this to be contrary to their experiences, finding the greens to have always been in excellent condition.
- Clarification was required as to the staffing costs attributed to Arrowe Park golf course. Officers explained that there is a golf coordinator post and that this is within Arrowe Park but coverage is across all golf courses. For this budget proposal, these costs have been removed from the calculations and the savings shown in the Cabinet report exclude the salary of this post.
- Members highlighted the well run privately operated café at Arrowe Park golf course but it was not clear if there is rental income. Officers clarified that rent is received and is included as part of the 'customer and clients' income figures provided to Members. It is also noted that any interested operator would need to take over the course with the leaseholder for the café in place.
- Members reiterated the issue of those people playing golf that have not paid and suggested signage is placed as a warning of penalties that could be imposed, such as a fine. Members reiterated that this issue has been raised on a number of occasions and the amount of income lost is significant.
- It was brought to the attention of officers that a charging meter was installed in an adjoining car park in 2018 but has since been covered due to damage. It is understood that the meter was installed for those not using the pub. Officers acknowledged this requires action.

- Officers were queried on the substantial catering charges detailed in the accounts for Brackenwood golf course and it was explained that these relate to the replacement of stock for the golf shop. Income received from sales is included in the 'customer and clients receipts' within the accounts but an observation made by Members is that it is not clear how much income is generated from the golf shop.
- It was clarified that the recharges stated within the accounts relate to the central costs. These include Payroll, I.T., Accounts Payable, Accounts Receivable, HR and other central support. These are all incurred in keeping the facility open.
- In response to a number of questions relating to the process to be taken with the budget proposal, it was explained that the Council would advertise for potential providers and the preferred operator would be identified following detailed negotiations to Cabinet for approval. A transfer period would be established for the operator and the Council to setup the infrastructure, including IT, before the full transfer is implemented.
- Officers confirmed that a number of providers have been engaged through soft market testing and this has established interest in the golf course. Soft market testing was undertaken to understand the appetite from the market to provide the service. Members were informed that feedback indicates they would require a long term lease with estimates ranging from 50 to 150 years to make it work in terms of the investment required. It is noted that Knowsley and St Helens have entered into such long lease arrangements.
- In response to other queries relating to a lease agreement with a provider, officers clarified through soft market testing that most golf operators pay an annual lease and this amount can vary. The savings proposed is based on the Council no longer subsidising the golf courses and officers confirmed that the figures do not include current overspends at the golf courses, including Arrowe Park which is currently forecast at £60k.
- Members noted that the budget proposal covers the Warren and Arrowe Park golf courses. Members highlighted concerns regarding Brackenwood not being included due to the ongoing Open Spaces review and the risk that the Council would then need to continue to provide ongoing maintenance and investment. It was also suggested whether it may be best to wait until the review is complete to allow its inclusion as part of the proposal. It was reiterated that Brackenwood golf course could be taken on by the operator following the review but a delay in moving forward to allow for Brackenwood golf course to be included may dissuade potential operators. It is understood that the process takes around six months and would lead into the winter months when it is unlikely an operator would want to sign and savings wouldn't be made until the next financial year.
- Members were informed that the public consultation results indicate strong support for the transfer of the golf courses to an alternative operator and further consultation will be carried out if a provider is identified as part of the transfer.
- Officers confirmed that soft market testing included inviting interested providers to submit their interest to the Council and a number of submissions were received. Advertisement was made through the Chest, as per the Council's Contract Procedure Rules, which is open to the public to express interest. It was confirmed that there were no submissions from local golf clubs.

- Members praised the Invigor8 membership which allows members to utilise the golf services through their membership. However, it was pointed out that it was not clear what revenue goes towards golf which could be significant enough to cover the shortfall.
- Members highlighted the recent work carried out at Arrowse Park golf course. It was explained that all the golf courses will continue to require capital investment. The Council is relying on utilising capital receipts this year to support the revenue budget and this is being maximised to protect services. This limits the Council's ability to apply capital investment to the traditional programme.

3. Conclusions

Following consideration of the budget proposals which were presented, including supporting documents, Members were given an opportunity to summarise their views relating to these proposals. These are detailed below:

- A Member acknowledged the difficulty to identify potential operators for the proposals and the need to test the market to see what interest there is. Opportunities could be presented for the Floral Pavilion and the golf courses to provide quality services. The risk of not pursuing these budget options was that the Council would not make any savings and this would put pressure on other Council budgets. This view was supported by a number of Members.
- A Member highlighted the Council's responsibility to ensure that facilities are not neglected and fall into disrepair.
- Several Members expressed concern regarding the future of Brackenwood Golf Course which has not been included as part of the transfer to an alternative operator.
- A Member expressed a view that the preferred approach would be to keep the golf courses run by the Council but was willing to see what interest is generated and how the transfer will be implemented.
- A Member also supported the view for the Council to retain the golf courses and to explore other feasible options with a very limited resource.
- A concern was raised around the Council relinquishing more assets and with austerity being a long-term issue. It was commented that the workshop highlighted reasons why the golf courses are not making money and that the lease is too long when the Council could run it as a successful business. It was added that the proposal is short-sighted and an easy way to make cuts for the year.
- A New Brighton Councillor concluded that he was not able to support any budget proposals that included the leasing of the Floral Pavilion Theatre in New Brighton to an alternative operator.

Appendix 1 – Workshop Attendance

Workshop 1 (4th December 2018)

Committee Members

Cllr. Tony Jones Cllr. Kate Cannon
Cllr. Bruce Berry Cllr. Tony Cottier
Cllr. Brian Kenny Cllr. Steve Foulkes (Attended until 7pm, apologies received)
Cllr. Jo Bird
Cllr. Adam Sykes
Cllr. Allan Brame
Cllr. Sharon Jones
Cllr. Christina Muspratt

Cabinet Members

Cllr. Phil Brightmore

Officers

Andrew Elkington, Assistant Director (Community Services)
Matthew Humble, Programme Manager
Mark Goulding, Principal Accountant
Michael Lester, Scrutiny Officer

Workshop 2 (16th January 2019)

Committee Members

Cllr. Tony Jones Cllr. Tony Smith
Cllr. Bruce Berry Cllr. Sharon Jones
Cllr. Phil Gilchrist Cllr. Brian Kenny
Cllr. Steve Foulkes
Cllr. Jo Bird
Cllr. Adam Sykes
Cllr. Christina Muspratt
Cllr. Tony Cottier

Cabinet Members

Cllr. Phil Brightmore

Officers

Andrew Elkington, Assistant Director (Community Services)
David Armstrong, Corporate Director (Delivery Services)
Matthew Humble, Programme Manager
Mark Goulding, Principal Accountant
Michael Lester, Scrutiny Officer

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**COUNCILLOR PHILLIP
BRIGHTMORE**

CABINET
26 NOVEMBER 2018

LEISURE AND CULTURAL SERVICES –
FUTURE PROVISION OF FLORAL
PAVILION THEATRE AND CONFERENCE
CENTRE

Councillor Phillip Brightmore, Cabinet Member – Leisure and Recreation said:

“The Floral Pavilion is a fabulous facility, which brings enjoyment and no small measure of pride to thousands of residents throughout the borough. The theatre is approaching its 10th anniversary and has gone from strength to strength since being unveiled as the centrepiece of the Council-led regeneration of New Brighton.

“The time has come for the Floral Pavilion to take the next stage on its development. We want this theatre to continue to grow, to attract bigger and better shows and become a visitor destination for the entire region. To get there, we believe we need an expert theatre organisation to take over the business.

“We want the Floral Pavilion to thrive. We want it to remain a place where residents can come together, a stunning waterfront facility which every Wirral resident can be proud of. We believe under the leadership of a specialised theatre company, the Floral Pavilion can look forward to its next ten years with huge confidence.

“The Floral Pavilion would remain in public ownership, but become part of a specialised theatre chain – saving Wirral residents money, which can then be reinvested into services, and ensuring the products, services and shows on offer at the Floral improve.”

REPORT SUMMARY

Wirral Council provides extensive leisure, recreation, cultural, open space and library services. The cost to the Council of delivering these services is £17 million, when income from external funding is taken into account. The Council faces significant budget savings due to the removal of the revenue support grant and needs to review how services can be delivered effectively whilst reducing costs, especially for discretionary services.

Over the past year the Council has undertaken a detailed review of Leisure and Cultural services to try and find ways of transforming these services to make them more sustainable, flexible and appropriate. The Council does not wish to be in a situation where it needs to consider closing or reducing services in order to balance the budget. The Council's preference is for a model which allows for discretionary services to generate their own funds so they can grow. There is no legal requirement for the Council to provide a theatre service either directly or indirectly.

The Floral Pavilion currently costs the Council £899,300 per year to keep open. As a mid-scale (800 seat) receiving theatre the Floral Pavilion is limited as to the performances it may attract, the percentage of ticket sales it may retain and the income it may generate. While the Council can and will continue to develop new commercial opportunities within the facility – extended bar opening and maximising secondary spend, reviewing programming, developing marketing campaigns to attract new conference and wedding business among others; it is not thought the Council can get the subsidy to '£0' within the medium term using the current business model. Cuts to the subsidy, without change, could result in the partial closure of facilities.

The current service model for this service is therefore financially unsustainable. This issue requires a solution which will:

- Reduce the level of financial support required by the Floral Pavilion from the Council.
- Ensure that the Floral Pavilion continues to operate and deliver cultural, social and economic outcomes for the people of Wirral.

A number of options have been considered for the future delivery of the Theatre. The recommended option is to transfer the operation of the Floral Pavilion as a going concern on a long lease to a suitable alternative provider, but importantly retaining the freehold. This proposal, if pursued, will see the Council retain ownership of the Floral Pavilion, but see its operations run by an expert organisation. This represents the greatest opportunity for long term savings while keeping the theatre open as an attraction in New Brighton and serving residents and visitors to the Wirral.

RECOMMENDATION/S

Cabinet is requested to:

Authorise the Corporate Director for Delivery Services to transfer the Floral Pavilion Theatre and Conference Centre at best consideration as a going concern on a long lease.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The 2017/18 Residents Survey asked residents what they felt was important to them in relation to the Floral Pavilion. Residents overwhelmingly wish the theatre to remain open and accessible to all. However, Residents were less concerned that the Floral Pavilion remains being directly managed by the Council or that income generated by the theatre is returned to the Council.
- 1.2 Three potential options (No Change, Commercial Management and Long Lease as a Going Concern) were considered by officers and Members as to how closely they meet the stated outcomes that the Council wishes to achieve for the Floral Pavilion. These were:
- The Floral Pavilion to remain a creative and community hub for residents, attracting a diverse range of business and customers through an exciting events programme.
 - To increase the revenue the Floral can contribute, reduce the Council's subsidy to keep it viable, provide job security to staff and retain it as an asset which Wirral residents can be proud of.
 - We want the Floral Pavilion to be a free-standing, commercial asset which covers its own costs and contributes to the cultural, leisure and artistic options available for Wirral residents to enjoy.
- 1.3 A specialist provider, such as a theatre chain or production company, brings with them a number of potential benefits. A theatre chain, that is in a position to book performers for a number of theatres, are in a better position than a single theatre to obtain a greater share of the income from tickets and book more well-known acts. A theatre chain also brings with it further economies of scale regarding marketing, corporate purchasing power, maximising ancillary sales and bring with them expertise in venue catering and conference centre management. A production company that provides its own performances would be in a position to retain the full value of the ticket price in order to cover its costs.
- 1.4 Research undertaken into the various options involved consulting with several commercial companies on a confidential basis to determine potential interest in a theatre and conference venue of this kind, and the basis (contractual and financial) on which each might consider taking on such an operation. During this research there was interest expressed from a commercial operator in the freehold purchase or long lease of the theatre. It is expected that the number of interested parties would increase once the Floral Pavilion is appropriately advertised.
- 1.5 This option would remove the Council from being responsible for the Floral Pavilion but retain the facility as a theatre and conference venue supporting the redeveloped New Brighton as a visitor destination. A restrictive covenant would be put in place to ensure that the theatre could only be used as a theatre and conference venue, ensuring that the theatre continues to operate and importantly the Council would retain the freehold.

- 1.6 The benefit to the Council is that it will be able to achieve a nil subsidy once the long lease transfer is complete. The savings from the transfer of the Floral Pavilion is expected to be an annual revenue saving of £550,000 (current net expenditure less fixed support costs and capital charges). There is also the potential of 'one off' receipt from the payments of the lease, subject to any grant clawback which the Council may be liable for.
- 1.7 In summary the recommended option is to offer a long lease as a going concern and by doing so transfer the Floral Pavilion to a suitable alternative provider. This expected to bring the following benefits:
- The Floral Pavilion will continue to develop new commercial options within the facility, maximising the value of contracts and of secondary spend, new programming and marketing campaigns to attract new customers and conference and wedding business among others.
 - As a medium size (800 seats) theatre there are limitations to how far it can develop, but with a larger more experienced specialist theatre operator it would benefit from economies of scale not available to a sole operator.
 - Transferring the Floral to a theatre company / chain brings advantages through their ability to book well known and high quality shows and performers.
 - As specialist theatre providers potential bidders bring with them access to economies of scale and additional expertise in this area.
 - The Floral is retained as a theatre, benefiting New Brighton and the wider cultural economy through a restrictive covenant not to be used for anything other than a conference and theatre venue. The freehold of the theatre would remain with the Council.
 - Revenue saving to the Council of £550,000 per annum (current net expenditure less fixed support costs and capital charges).
 - There would be a potential 'one off' receipt from the payment of the lease, subject to any grant clawback which the Council may be liable for, which could be used for further regeneration or reinvestment.

2.0 OTHER OPTIONS CONSIDERED

2.1 No Change

- 2.1.1 The Floral Pavilion continues to operate as a part of the Council. Over the past two years every area of secondary spend has been examined to maximise income including reviewing systems to ensure they are aligned to operational effectiveness, pricing structures, staff structures, marketing and market development. Examples of the approach are taking a more assertive commercial stance over specific one off events or in terms of running the base operation such as the bar. This has paid dividends, but the size of the theatre and Council structures has limited this approach. The ability to make decisions quickly to benefits from opportunities as they arise is required in order to develop significant income.

2.1.2 The theatre management project the requirement for a subsidy through these measures to fall from £961,500 in 2017/18 to £771,506 by 2020/21, from a mixture of improvement strategies for earned income and cost reductions.

2.1.3 It is not thought that a '£0' subsidy would be achieved within the medium term.

2.2 Commercial management

2.2.1 The most common models for commercial operation of local authority owned theatres involve an agreement of 10 years or longer for a management company to run a theatre on behalf of the Council. Since every theatre operation, and the service expected of an operating management, is unique, there are no standard contractual and financial arrangements. These can only be determined through a process of market testing and negotiation. Concession contracts, of up to 5 year's duration, reduce the likelihood of a commercial operator being interested in taking on the concession.

2.2.2 Depending on the scale of the operation, including the seating capacity and ancillary facilities, the financial arrangement offered by a commercial operator can range from the local authority paying a substantial management fee, through to a revenue neutral arrangement or the commercial management company making a rental payment. In the case of a theatre of the scale of the Floral Pavilion, an agreement is most likely to require a local authority management fee.

2.2.3 The subsidy would be likely to reduce to £750,000 per year from its current level once an agreement is reached. This means that this option has the potential to realise a reduction in subsidy more quickly than under the 'In House' option. A £0 subsidy would not be achieved from this option.

3.0 BACKGROUND INFORMATION

3.1 In the UK, there are broadly two types of theatre:

- those that create their own productions (producing theatres) and
- those that stage productions and performances created and toured by others (receiving theatres).

In practice, some theatres combine these two approaches and most theatres also include a range of other activities, some generating additional income (e.g. ancillary trading activities, conferences and events) and some offering additional community engagement opportunities (e.g. education programmes, participatory activities).

3.2 For several decades there has been a shortage of drama and lyric (opera, musicals, dance) productions of quality, particularly for mid-scale theatres (under 1,000 seats). Costs have soared, regulations have proliferated, and subsidy has been cut. Receiving theatres have become mixed programme venues, relying increasingly on one-night stands of a wide range of music and entertainment, rather than longer runs of a single title.

- 3.3 The Floral Pavilion comprises an 800+ seat theatre, a foyer plaza, bar, and four areas for general hire. Reopening in December 2008 after a complete rebuild as part of the £60m Neptune Project, it replaced earlier buildings on the same site dating back to 1913.
- 3.4 The Floral Pavilion is essentially a mid-scale receiving theatre, reliant on work created elsewhere and offered through a range of commercial and subsidised production companies. This nationally toured work is complemented by locally generated amateur and community performances. The Floral Pavilion's facilities also offer opportunities for ancillary income generation (i.e. trading income additional to sale of tickets for performances) and community participation activities.
- 3.5 Since opening in December 2008 the Floral Pavilion has received a subsidy from the Council in order to cover its operating costs. The Floral Pavilion currently costs the Council £899,300 per year to keep open
- 3.6 The Council is facing unprecedented economic pressures which mean that it is being asked to deliver the same or better services within a reducing financial envelope. This can only be achieved by reviewing the way that we deliver services and by focussing our limited resources on its key priorities, statutory services and the things that really make a difference.
- 3.7 There is no legal requirement for the Council to provide a theatre service either directly or indirectly. Given the current financial pressures, other Councils are ceasing to directly provide theatres and have sought other ways for the service to be provided either through a long lease or management contract. At a time of reduced financial support, the Council needs to review its discretionary services and seek to reduce its expenditure on non-essential services.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The long lease of the Floral Pavilion as a going concern would create revenue savings, as the Council would no longer be responsible for the running of the theatre and a 'one off' receipt arising from the long lease being paid up front. It would also avoid any capital costs arising from the refurbishment of the theatre as it approaches its 10th year of operation.
- 4.2 The savings from the transfer of the Floral Pavilion is expected to be an annual revenue saving of £550,000 (current net expenditure less fixed support costs and capital charges). In addition, following a valuation undertaken by Lambert Smith Hampton, there is the expectation that a one off receipt will also be achieved.

5.0 LEGAL IMPLICATIONS

- 5.1 The intention is to transfer the Floral Pavilion Theatre and Conference Centre as a going concern on a long lease. A restrictive covenant will be placed on the use of the Floral Pavilion for it only to be used as a Theatre and

Conference Venue. In this way the intention is to safeguard the future development of the site and ensure that the Theatre continues to operate. It should be noted that, restrictive covenants on use have the potential to be challenged after a period of 40 years.

- 5.2 Existing contracts for performances will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.3 Existing service contracts, for instance the catering concession, will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.4 Contracts and licences in relation to IT Equipment and Licences will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.5 As the proposal includes land the Council must obtain the best price reasonably obtainable. The transfer of the business would require for it to be appropriately advertised.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 ICT

- 6.1.1 The Floral Pavilion currently uses a mixture of IT Systems. The new provider would need to replace these systems with their own systems; however this will need careful preparation and planning, embedded into a mobilisation and on boarding schedule to ensure that the service continues without interruption. Issues regarding data transfer from these systems to the new provider will also need to be considered in line with GDPR.

6.2 Staffing

- 6.2.1 The staff currently working at the Floral Pavilion would be TUPE transferred to the new operator on existing terms and conditions. The Council has identified employees whose roles and duties are wholly or at least 50% assigned to the work that is transferring based on job titles, job description and nature of work undertaken. There are currently 38 FTE staff working in the Floral, including a pool of casual staff that supports the service as and when required.
- 6.2.2 A mobilisation and on boarding plan will be developed to ensure the transfer goes as planned with minimal disruption to the business, its customers and employees.
- 6.2.3 A Pensions Actuarial Assessment will need to be undertaken to ensure that the new provider is aware of their pension liability.
- 6.2.4 Wirral Council is committed to following Best Value practice which requires that new transferees become an admission body of the LGPS or offer a

broadly comparable scheme certified by the Government Actuaries Department (GAD).

6.2.5 Existing staff who contribute to the Local Government Pension Scheme (LGPS) will experience no change as the new operator will become a participant in this scheme.

6.2.6 Any employees that are not currently a member of the LGPS pension scheme will retain the right to join the LGPS scheme post transfer.

6.3 Assets

6.3.1 While the intention is to transfer the Floral Pavilion to an alternative provider on a long lease the Council would seek to work in partnership with the new provider to promote the culture and visitor economy. This has the potential to be a mutually beneficial arrangement allowing the Floral to remain a centre piece attraction in New Brighton as a part of a wider annual events programme. The Council is already well placed to develop these arrangements given the success of the 'Tall Ships' and 'Giants Spectacular' partnership arrangements.

7.0 RELEVANT RISKS

7.1 All risks associated with this proposal will be identified and managed in line with the Corporate Risk Management Procedure as part of the project delivery process. Below is a summary of some of the key risks identified and how they will be managed.

Risk	Mitigating Action
A potential operator may not make an offer that is financially sufficient	Understand what is required from a potential operator Ensure that we carry out a thorough tender process
In the reported small market there may not be any interest	Appropriately advertise amongst potential providers
The Council may lose control of future use under transfer.	Agree the restrictions over the future use of the building. Freehold retained by the Council.
Insufficient capacity within the internal team to support projects (e.g. HR to progress TUPE, Legal to advise and develop route to contract award, etc.) may cause delay or limit the benefits of the projects	Identify and communicate resource requirements work stream leads and check that the correct level of expertise is available to produce the products. Identify areas that do not have internal expertise available to produce products and develop case for allocation of project funds for the external resource

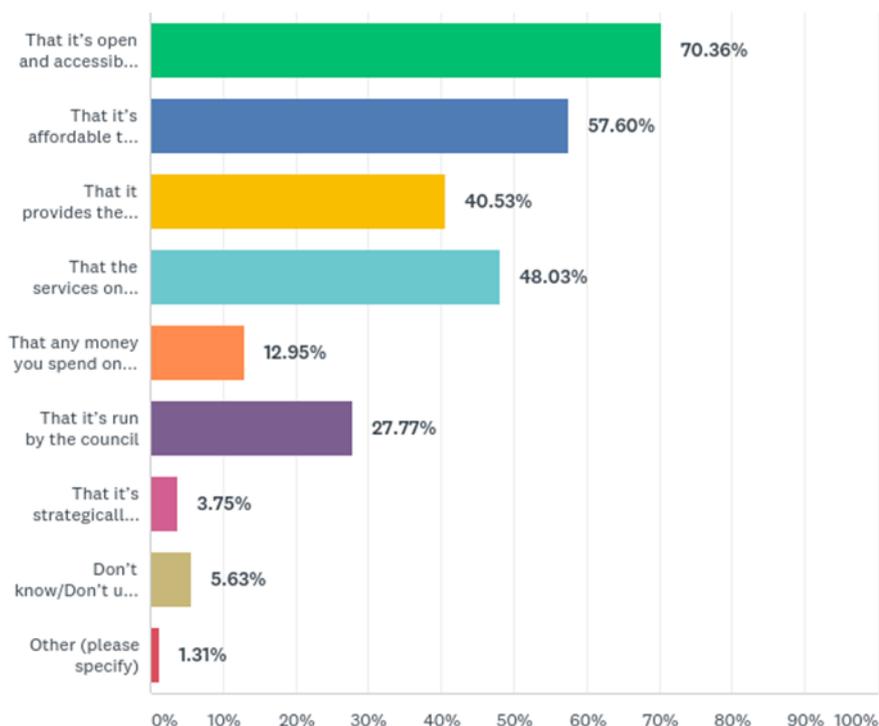
8.0 ENGAGEMENT/CONSULTATION

8.1 The 2017/18 Residents Survey asked residents what they felt was important to them in relation to the Floral Pavilion. The results are provided below.

Answer Choices	Responses
That it's open and accessible to all as a community asset	70.36% 375
That it's affordable to use	57.60% 307
That it provides the services/products that you want to use	40.53% 216
That the services on offer are of good quality	48.03% 256
That any money you spend on the service goes back into the council	12.95% 69
That it's run by the council	27.77% 148
That it's strategically managed by democratically elected members	3.75% 20
Don't know/Don't use this service	5.63% 30
Other (please specify)	1.31% 7
Total Respondents: 533	

Residents value the Floral Pavilion and overwhelmingly wish this to remain open and accessible to all, that it remains affordable to use and provide services that are of a good quality.

Residents were less concerned that the Floral Pavilion remains being directly managed by the Council or that income generated by the Theatre is returned to the Council.



Given these clear responses from residents, the discretionary nature of the service being provided and the levels of subsidy involved in maintaining the Floral Pavilion it is clear that other options for the future delivery of the Floral Pavilion need to be considered.

- 8.2 As a part of delivering these proposals consultation will be required with staff, volunteer groups, key stakeholders and Trade Unions. A comprehensive communication plan will be developed as part of the project planning process.
- 8.3 Trade Unions have been consulted on this proposal and regular meetings have been scheduled with them.
- 8.4 This proposal will also be a part of the Budget consultation process.

9.0 EQUALITY IMPLICATIONS

Has the potential impact of your proposal(s) been reviewed with regard to equality?

- (a) Yes and impact review is attached – refer hyperlink:

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

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APPENDICES

REFERENCE MATERIAL

Re-imagining Leisure and Cultural Services – Phase 1 Report (Bates Wells Braithwaite) – March 2017

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: 'Outline Transformation Approach'	21 March 2016
Cabinet: 'Leisure and Cultural Services – future provision of Leisure, Parks, Libraries and Cultural Services'	27 March 2017
Environment Overview and Scrutiny Committee – Call In	19 June 2017



**COUNCILLOR PHILIP
BRIGHTMORE**

CABINET

26 NOVEMBER 2018

**LEISURE AND CULTURAL SERVICES –
FUTURE PROVISION OF GOLF COURSES**

Councillor Phillip Brightmore, Cabinet Member – Leisure and Recreation said:

“Wirral is famous for its golf courses. Host of the Open Championship as recently as 2014, our borough gives residents and visitors unrivalled choice and quality for the sport.

“We know our residents are proud of that, and we know they recognise the health and wellbeing benefits of this unique sport. That’s why we have maintained such a wide variety of golf options for so long, and why we do all we can to encourage people to be more active.

“We believe we can do a better job. We believe running golf courses is not necessarily a job the council is right for, and we know there are specialist golf companies throughout the country who could provide a better service for our residents. Should this proposal be accepted by the Cabinet, then that is what we will look for.

“We will not sell the courses. We will keep them in public ownership. Instead, we will look for an expert to come in and improve our golf courses. We will make them more efficient, better managed and higher quality.”

REPORT SUMMARY

Wirral Council provides extensive leisure, recreation, cultural, open space and library services. The cost to the Council of delivering these services is £17 million, when income from external funding is taken into account. The Council faces significant budget savings and needs to review how services can be delivered effectively whilst reducing costs, especially for discretionary services.

Over the past year the Council has undertaken a detailed review of Leisure and Cultural services to try and find ways of transforming these services to make them more sustainable, flexible and appropriate. The Council does not wish to be in a situation where it needs to consider closing or reducing services in order to balance the budget.

The Council runs three 18 hole golf courses, one 9 hole golf course and two 'fun courses' (pitch & putt and Crazy Golf). The operational revenue cost of municipal golf in Wirral in the financial year (2018/19) is £255k (£430k if the current overspend is included). A number of reviews of Council golf provision have been undertaken in previous years which have identified the requirement for significant capital investment in courses in order that they remain playable. The current service model for this service is therefore financially unsustainable.

While the Council is working with Celtic Manor on developing options for the Hoylake Municipal Golf Course there are also opportunities to seek alternative providers for the remainder of the Council's golf courses. A number of options for the future delivery of the golf courses have been considered.

This report recommends the transfer of Arrowe Park and The Warren Municipal Golf Courses to an alternative specialist golf provider on a long lease, while the Council retains the freehold ownership. This represents the most appropriate opportunity for savings in the long term while keeping the courses open for the benefit of residents and visitors to Wirral.

There is no legal requirement for the Council to provide a golf service either directly or indirectly. At a time of reduced financial support, the Council needs to review its discretionary services and seek to reduce its expenditure on non essential services.

RECOMMENDATION/S

Cabinet is requested to:

- (1) Note the recommended option to offer the operation and management of golf courses on a long lease to a suitable alternative provider.
- (2) Agree that statutory consultation, in accordance with Section 123 (2A) of the Local Government Act 1972, in relation to the Golf Courses be commenced;
and
- (3) Results of the statutory consultation be reported to Cabinet for a final decision.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 In line with the 2020 Pledges including Leisure and Cultural opportunities for all, the future vision for municipal golf in Wirral, is to have facilities that are accessible and “fit for purpose”, to encourage more people to play and take part in golf and become healthier in the process.
- 1.2 Golf facilities are an important component of the excellent provision of leisure and cultural facilities in the Wirral. They provide affordable opportunities for a diverse range of people of all ages to participate in golf and to benefit from healthy physical activity.
- 1.3 As with many other publicly operated sports facilities, there are a number of issues facing councils in the current financial climate including the need for continued capital investment in facilities and meeting lifecycle costs.
- 1.4 The Council is committed to continue to offer excellent opportunities for local people and visitors to benefit from participation in golf; but it is faced with extremely challenging financial constraints.
- 1.5 The Golf Service is a discretionary service the Council does not have to provide. The current subsidy for all municipal golf courses is £255k (£430k if the current overspend is included) and with the national trend in golf usage being generally down, (not just for municipal golf courses but also for the majority of private golf clubs) it is envisaged that this current level of council subsidy will not reduce significantly under current arrangements.
- 1.6 There are a number of specialist golf providers who have track records in delivering successful golf courses through their single focus on the golf offer and investment. These providers have, through a soft market test undertaken in January 2018, expressed an interest in operating, investing and maintaining Wirral golf courses. However to do this they require a long lease in order to raise the investment necessary for the courses. The freehold of the courses would be retained by the Council.
- 1.7 Successfully transferring Wirral golf courses to an alternative provider would remove the requirement for the Council subsidy, raise income from the lease rentals and remove the requirement for capital investment by the council. Restrictive covenants would be placed on the golf courses that they only be used as golf courses and that they are used to provide ‘pay and play’ golf, ensuring the courses remain open and accessible to all. Staff from the effected courses would be TUPE transferred to the new provider.
- 1.8 The expected benefit to the Council is that it is able to achieve a nil subsidy on the courses transferred and received income from the new provider. The net gain to the council is estimated to be of at least £110,000 but potentially as much as £214,000.
- 1.9 It is not proposed to transfer Brackenwood Municipal Golf Course, at this time, due to its inclusion in the Open Space Review. However once the Open Space Review is concluded the intention is that this golf course also be transferred to an

alternative provider. The two 'fun courses' (pitch and putt / crazy golf) Kings Parade and Wallasey Beach would not be transferred as there is limited interest in these courses from specialist golf providers and the council believes that these may be developed in order to generate additional income without significant investment.

2.0 OTHER OPTIONS CONSIDERED

2.1 No Change

2.1.1 An alternative option is to retain golf courses 'in house.' Whilst the courses have been managed in house in the past few years and have recently undergone a major staffing restructure (Jan 2017), the financial pressures the Council is currently under would mean that significant cuts would have to be made to the service provision. This option was not acceptable to the Council.

2.1.2 If the Council continued to operate golf courses it would remain responsible for any future capital expenditure required to maintain them in 'general/average' municipal playing conditions and to provide capital monies for future commercial developments at the sites. The council would need to borrow a significant amount of capital in order to bring the courses up to a reasonable course standard and maintain the existing customer base. Given the increased competition from private golf courses it is by no means certain that the council would recover the investment it makes and increase income as a result of the investment.

2.2 Course Closure

2.2.1 The courses could be closed and returned to parkland. While this would reduce the maintenance and operating costs of the golf courses it would close a much valued leisure opportunity to residents. The closure of courses would also lead to staff reductions, possibly through compulsory redundancy, which is not acceptable to the Council. In addition the income currently generated from the golf courses would be lost.

2.2.2 There would be further costs for parks and countryside to maintain these courses as parkland. Given that the council currently maintains in excess of 240 separate areas of land across the borough and given that resources have been reduced substantially over the last few years this is not a desirable situation

2.3 Golf Concession Contract

2.3.1 The Council has previously explored contracting out the golf service to a specialist provider. Seeking a provider that would run the golf courses at a nil subsidy to the council on the basis that the provider retains any profit it makes from the courses.

2.3.2 This option was explored in 2014 and most recently in January 2018 through a soft market test. While there were a number of providers who expressed an interest in the running and operation of the courses most required a long lease to do so. This was far in excess of the length of contract the Council could offer under current regulations and as such, this option is not currently possible.

3.0 BACKGROUND INFORMATION

- 3.1 Wirral benefits currently from 19 private and public golf facilities in Wirral, made up of a number of 18 hole and 9 hole courses, pitch and putt facilities, and a driving range. This level of provision represents significant competition in the golf market locally. The Council runs three 18 hole golf courses, one 9 hole golf course and two 'fun courses' (pitch & putt and Crazy Golf).
- 3.2 Participation in municipal golf in Wirral is in decline and follows a national trend in that people tend to have less disposable leisure time to spend on playing a five or six hour round of golf. Those people that would have traditionally played golf in the past have migrated to a more 'time determined' sport (such as cycling, running, fitness) to fulfil their leisure time demands. Some smaller private member golf clubs are suffering from the same problem and it is noticeable how some 'community' based golf clubs have responded to this problem by reducing membership/joining fees and offering 'pay and play' packages which compete favourably with our existing municipal fees and charges
- 3.3 A number of reviews of Council golf provision have been undertaken in previous years. These have led to a staffing restructure, completed in February 2017, of the front of house golf service at all municipal golf courses. This was one of the main recommendations within the golf consultant's (Mark Smith Ltd) report issued in October 2015 in trying to reflect a modern day, fit for purpose golf service. This involved deleting a number of roles and developing a more generic flexible staffing structure that enables collection of fees from not only the point of sale but also out on the course. In addition this was designed to deflect criticism that the Council was not security conscious and that too many golfers are 'bunking' on the course without paying.
- 3.4 Leisure Services have been working with colleagues in 'Parks and Countryside' to develop a more business style 'client/contractor' relationship. A more structured SLA with bespoke work programmes is being developed to reflect this new arrangement which will also enable us to respond to golfers/customers comments/complaints regarding the course in a more timely fashion. Booking procedures have recently reviewed at each of the municipal courses resulting in more accessible tee times for the public at peak times.
- 3.5 An agronomist's report was commissioned (completed by STRI – April 2017) on the current state and condition of each of the municipal courses and to provide a work programme of required maintenance to rectify any remedial issues. Also commissioned was a condition survey for Arrowe Park and Brackenwood municipal courses to identify capital works required over the short, medium and longer term to keep the courses in a 'general' municipal playing condition. Both of these reports have identified the need for very significant capital expenditure on maintaining the courses.
- 3.6 The Council has previously sought to contract out the golf service. In 2014 as part of a joint approach with Cheshire West and Chester Council and most recently in January 2018 the Council carried out a soft market test to identify the level of interest from specialist golf providers in a concession contract. While a number of providers expressed an interest in operating, investing and maintaining Wirral golf

courses this was on the basis that they are provided with a long lease, something which under concession contract regulations is not possible.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The operational revenue cost of municipal golf in Wirral in the financial year (2018/19) is £255k. The anticipated out-turn for this year is estimated to exceed this budget by about £175k, (making the total operational cost £430k).
- 4.2 The expected benefit to the Council is that it is able to achieve a nil subsidy on the courses transferred and received income from the new provider. The net gain to the council is estimated to be of at least £110,000 but potentially as much as £214,000.

5.0 LEGAL IMPLICATIONS

- 5.1 In order to consider the transfer of public open space the Council is required to advertise its intentions in accordance with Section 123 (2A) of the Local Government Act 1972 in order that members may consider any relevant objections prior to making any decision as to its future.
- 5.2 As the proposal includes land the Council must achieve the best price reasonably obtainable. The transfer of the business would require for it to be appropriately marketed.
- 5.3 Should this proposal proceed the intention is to offer Wirral Golf Courses on a long lease to an alternative provider. A restrictive covenant will be placed on the use of the golf courses that they may only be used as golf courses and that the courses provide 'pay and play' provision. In this way the intention is to safeguard the future development of the golf courses and ensure that they continue to operate. It should be noted that, restrictive covenants on use have the potential to be challenged after a period of 40 years.
- 5.4 Existing service contracts and leases will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.5 Contracts and licences in relation to IT Equipment and Licences will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

It is assumed that existing resources will be in place to support the Communications and Engagement, HR, Contract Management, Project Management, Legal and Financial aspects of such a programme of work.

6.1 ICT

- 6.1.1 Golf Courses currently uses a mixture of IT Systems provided by the Council. The new provider would need to replace these systems with their own systems; however this will need careful preparation and planning, embedded into a mobilisation and on boarding schedule to ensure that the service continues without interruption.

Issues regarding data transfer from these systems to the new provider will also need to be considered in line with GDPR.

6.2 Staffing

6.2.1 The staff currently working on Wirral golf courses would be TUPE transferred to the new operator on existing terms and conditions. The Council has identified employees whose roles and duties are wholly or at least 50% assigned to the work that is transferring based on job titles, job description and nature of work undertaken.

6.2.2 The staffing complement for Arrowe Park and The Warren golf courses comprise 3.44 FTE Golf Advisors and 6 FTE Grounds Maintenance staff; a total of 9.44 FTE.

These are provided to each course on the following basis:-

Course	Staff Type		Total
	Golf Advisor	Grounds Maintenance	
Arrowe Park	1.72 FTE	3.5 FTE	5.22 FTE
Warren	1.72 FTE	2.5 FTE	4.22 FTE
Total	3.44 FTE	6.0 FTE	9.44 FTE

6.2.3 A mobilisation and on boarding plan will be developed to ensure the transfer goes as planned with minimal disruption to the business, its customers and employees.

6.2.4 A Pensions Actuarial Assessment will need to be undertaken to ensure that the new provider is aware of their pension liability.

6.2.5 Wirral Council is committed to following Best Value practice which requires that new transferees become an admission body of the LGPS or offer a broadly comparable scheme certified by the Government Actuaries Department (GAD).

6.2.6 Existing staff who contribute to the Local Government Pension Scheme (LGPS) will experience no change as the new operator will become a participant in this scheme.

6.2.7 Any employees that are not currently a member of the LGPS pension scheme will retain the right to join the LGPS scheme post transfer.

6.3 Assets

6.3.1 The courses would be transferred to the new provider on a long lease arrangement. The freehold would be retained by the Council.

6.3.2 Existing lease arrangements by Golf Clubs and concession holders will be transferred to the new provider.

7.0 RELEVANT RISKS

7.1 All risks associated with this proposal will be identified and managed in line with the Corporate Risk Management Procedure as part of the project delivery process. Below is a summary of some of the key risks identified and how they will be managed.

Risk	Mitigating Action
If there is insufficient capacity within the sector to take on golf courses resulting in the option becoming unfeasible.	Research the appetite amongst potential providers Soft Market Test identified market interest and their requirements
The Council may lose control of future use of courses under a long lease transfer.	Agree the restrictions over the future use of golf courses as a part of the lease arrangement. Council retains the freehold
Unexpected events and delays in the project timeframe cause project overrun and impact on the ability to complete process within providers business timescale requirements	Ensure early timeline mapping of the procurement process to ensure timeline is known and realistic
Insufficient capacity within the internal team to support projects (e.g. HR to progress TUPE, Legal to advise and develop route to contract award, etc.) may cause delay or limit the benefits of the projects	Identify and communicate resource requirements work stream leads and check that the correct level of expertise is available to produce the products. Identify areas that do not have internal expertise available to produce products and develop case for allocation of project funds for the external resource

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Pre decision consultation will be undertaken in order to identify any relevant objections to this proposal prior to a decision from Cabinet.
- 8.2 There will be consultation requirements associated with the project for staff, Trade Unions, Invigor8 members and stakeholders. A comprehensive communication plan will be developed as part of the project planning process.
- 8.3 Trade Unions have been consulted on this proposal and regular meetings have been scheduled with them.
- 8.4 This proposal will also be a part of the Budget consultation process.

9.0 EQUALITY IMPLICATIONS

Has the potential impact of your proposal(s) been reviewed with regard to equality?

- (a) Yes and impact review is attached – refer hyperlink:

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

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APPENDICES

REFERENCE MATERIAL

Re-imagining Leisure and Cultural Services – Phase 1 Report (Bates Wells Braithwaite) – March 2017

Exempt Item – Golf Soft Market Test Results (January 2018)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: 'Outline Transformation Approach'	21 March 2016
Cabinet: 'Leisure and Cultural Services – future provision of Leisure, Parks, Libraries and Cultural Services'	27 March 2017
Environment Overview and Scrutiny Committee – Call In	19 June 2017

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