



## 2019/20 Budget Proposals

### Report of the Environment Overview & Scrutiny Committee

30<sup>th</sup> 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 4<sup>th</sup> December 2018 and 16<sup>th</sup> 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 other 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 26<sup>th</sup> 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 (4<sup>th</sup> 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 (16<sup>th</sup> 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