

EXECUTIVE COMMITTEE

5th February 2019

ARROW VALLEY COUNTRYSIDE CENTRE – CHANGE OF OPERATOR TO RUBICON LEISURE LTD

Relevant Portfolio Holder	Councillor Mike Rouse
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Director of Finance and Resources
Wards Affected	All
Ward Councillor Consulted	No
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To advise Members of the position with regard to service concession at Arrow Valley Countryside Centre (AVCC), the opportunity that has arisen to transfer this site into the Rubicon Leisure Ltd portfolio and the overall benefit this will bring to the Council.

2. RECOMMENDATIONS

- 2.1 **It is recommended that Executive consider this report and RECOMMEND to Council that:**

2.1.1 **The Council accepts the surrender of the current service provider's lease of AVCC on 31 March 2019**

2.1.2 **Operation of the AVCC be transferred to Rubicon Leisure Ltd from 1st April 2019.**

2.1.3 **That the Medium Term Financial Plan (MTFP) is revised to reflect the reduction in the overall Rubicon Leisure management fee expected to result from the transfer.**

3. KEY ISSUES

Background

- 3.1 As Members will be aware the services at AVCC were externalised to an outside provider in 2011 following a procurement exercise with the agreed term due to expire in May 2021.
- 3.2 The building was leased to the service provider on full repair, maintain and insure basis. The Council and the service provider entered into a management agreement which sets out and monitors the agreed services and the expected performance standards.
- 3.3 Under the 2011 arrangement there was an initial capital investment in the facilities which has enhanced the quality of the facility and increased the usable space on site. However there have also been problematic areas with the current delivery model which have resulted in a number of concerns being raised with regard to the way in which the building has generally been

maintained and in particular the external aspects that do not offer a welcoming and enticing appearance to park users.

- 3.4 There have also been ongoing issues with the consistency of services provided as well as an ongoing issue with the number of services that were proposed in the accepted submission that have been either partially delivered to a lower than expected standard or in some cases have not be delivered at all for extended periods. The services provided have been falling short of what was expected and the service provider has not been maximising the opportunities that the site presents.
- 3.5 These matters have also been compounded by a failure by the service provider to provide regular performance information as agreed within the management agreement.
- 3.6 As part of the ongoing contract management these matters have been raised on a number of occasions and officers have conducted a detailed review of the current position, including an assessment of associate costs to rectify defects and upcoming fees for the site.
- 3.7 The service provider has indicated that he wishes to surrender his lease, terminate the management agreement and thus end his involvement with the AVCC on 31 March 2019. Officers are of the opinion that continued and improved services at the AVCC will only be secured if the Council accepts the surrender of the lease.
- 3.8 The departure of the service provider from AVCC provides an opportunity to transfer the operation of the site to Rubicon Leisure Ltd. Because Rubicon Leisure is wholly owned by the Council this would afford the Council more control over operation of the site than it would have if another external operator was procured. Operation by Rubicon Leisure would also allow the Council to benefit more directly from the commercial opportunities that the site affords.
- 3.9 Officers have drafted an outline service requirement document setting out how the site could be best managed and operated by Rubicon Leisure. The service requirement document is currently being reviewed and commented on by Rubicon Leisure. This collaborative approach is being taken to ensure that the most is made of the commercial and leisure opportunities that the site offers. The service requirement document and Rubicon Leisure's response to it would be used to finalise the specification for operation of the site which would be incorporated into the existing Leisure Operator Contract between RBC and Rubicon Leisure through that contract's change control procedure.
- 3.10 It is proposed that the AVCC be leased to Rubicon Leisure on the same terms as the other sites that Rubicon Leisure operates on behalf of the Council. Under the current arrangement the service provider has full maintenance responsibility for the site. Under the proposed Rubicon arrangement the asset management responsibilities for the site would be shared to make the most effective use of resources and the figures shown in Section 4 are net of the extra expenditure incurred by RBC.

- 3.11 Key aspects within the services requirement document include the following expectations/desirers:

In order to sustain this improvement the Authority is looking for Rubicon Leisure to develop the opportunities for synergies between the services offered from the Centre and the wider park and community environment.

The Authority has six key aims which underpin the Councils Strategic Purposes and have driven the need to change of operator as follows:

- 1. To support the creation of a destination park that raises the profile of Redditch at a regional level to act as a catalyst for inward investment and growth.*
- 2. To increase footfall & dwell times to maximise the commercial potential of the site and to minimise the cost of all services provided by Rubicon Leisure Ltd.*
- 3. To ensure that the facilities on site are maintained to the highest standards and reflect positively on the contribution the council makes to local infrastructure and services.*
- 4. To enhance the water sports offer and implement an environmental based education and activities programme into the sites delivery model.*
- 5. To develop opportunities to link the services within the park to install a more cohesive offer and to increase awareness of the wider opportunity the park can offer to local residents and visitors alike.*
- 6. To widen the current offering to develop an evening economy and events based offer*

And

Rubicon Leisure has been asked in particular to consider the following areas of service delivery in its response:

1. Access
2. Reception and Help Desk
3. Catering
4. Water Sports
5. Angling
6. Physical Activity
7. Wildlife & Biodiversity
8. Marketing & Events

9. Parks Involvement & Quality Assurance

Full detail of the requirements in each of the above sections can be found with the service requirement document.

- 3.11 The Rubicon Leisure response would be used by officers to ensure that the final specification for operation of the site delivers best value to the Council.

4. Financial Implications

- 4.1 The Leisure Operator Contract provides that changes to the services provided by Rubicon Leisure to the Council should be financially neutral. As it is anticipated that Rubicon Leisure would generate a surplus through operation of the AVCC the impact of the transfer would be a reduction in the management fee that Rubicon Leisure receives from the Council.

- 4.2 Based upon the Council's service requirements and the response provided by Rubicon Leisure Ltd, it is anticipated that transfer of the site to Rubicon Leisure will result in an overall reduction in the Rubicon Leisure management fee as follows:

MTFP Year	Calendar Year	Saving £
1	2019/20	3870
2	2020/21	6054
3	2021/22	11295
4	2022/23	16308

- Please note the figures are net of the additional building cost that would be incurred by RBC of 10k per annum.

- 4.3 These savings have not been included within the MTFP 2019/23, as such they could be included as in years savings in 2019/20 to support any in year pressures that are identified.

- 4.4 It is also anticipated that if the service was expanded and grown in future years the overall Rubicon Leisure account structure would be improved by the addition of this opportunity due to the improved position it would offer in respect of irrecoverable VAT. Should subsequent savings been made these would form part of the overall funding package associated with the company which should further reduce RBC's management fee.

5. Legal Implications

- 5.1 The Council is able to transfer operation of the AVCC to Rubicon Leisure Ltd without undertaking a procurement exercise because Rubicon Leisure Ltd is wholly owned by the Council and the Council as shareholder exerts sufficient

control over it to benefit from the Teckal exemption to the EU procurement regime.

- 5.2 To approve the transfer the Council needs to be satisfied that it affords best value. Value may be measured both financially and non-financially.
- 5.3 The transfer would require the granting of a new lease to Rubicon Leisure Ltd. This would be on the same terms as the other sites that Rubicon Leisure operates on behalf of RBC. A new management contract would not be required. The existing Leisure Operator Contract between RBC and Rubicon Leisure Ltd allows for the addition of new services and/or changes to existing services.
- 5.4 The Leisure Operator Contract provides that any changes to services should be financially neutral. Thus the addition of the AVCC services would impact on the management fee that the Council pays to Rubicon Leisure.

6. Customer, Equalities and Diversity Implications

- 6.1 There are no direct customer implications contained within this report. However based on the feedback received on the current operation, views expressed on online portals such as trip advisor and the ongoing difficulties that have been experienced with regard to managing the site it is felt that this recommendation will enhance the services provided to residents, reduce management time and ensure that the facilities onsite support the Council's wider objectives of creating destination parks and increased visitor numbers.
- 6.2 There are no direct implications with regard to equalities or diversity contained within this report. However as members would expect Rubicon Leisure Ltd are required under its contracts with RBC to meet the highest standards in such areas.

7. Staffing Matters

- 7.1 There are no direct staffing implications contained within the report for RBC. If services at AVCC are transferred to Rubicon Leisure Ltd there may be a TUPE transfer of employees from the current service provider to Rubicon Leisure Ltd.
- 7.2 Members should also note that due to the currently restricted operating hours the proposed decision to transfer the service delivery to Rubicon Leisure Ltd would create additional local employment opportunities.

8. Risk Management

- 8.1 As part of the mobilisation plan if the proposal is endorsed there would be detailed risk register created that shows the key risks associated with the transfer of the services risk mitigation methodology.
- 8.2 Should this proposal not be supported, services would either have to be brought back in house or a procurement exercise undertaken to secure an

external provider. These options present a risk to continuity of services at the site.

- 8.3 Finally there is a risk that the Rubicon Leisure may not meet the Council's financial and service delivery expectations for the AVCC. Should this situation occur any income or service short fall for the site would be managed as part of the wider Leisure Operator Contract and through the annual business planning cycle. .

9. APPENDICES

None

10. BACKGROUND PAPERS

Service Requirement Document

11. KEY

None

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