

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

27 MAY 2014

BRYNGARW HOUSE AND PARK

1. Purpose of Report

- 1.1 The purpose of this report is to inform Cabinet on the outcome of the procurement exercise to determine a partner organisation to manage and operate Bryngarw House and seek approval for subsequent measures to ensure the House has a sustainable future.

2. Connection to Corporate Improvement Plan / Other Corporate Priority

- 2.1 Bryngarw House and Park contribute to the corporate priorities of:

- Developing the local economy
- Encouraging healthy lifestyles to reduce health inequalities

- 2.2 Bryngarw House and Park is a key visitor attraction and as such features strongly in the Council's Tourism Strategy.

- 2.3 This report and recommendation is a direct response to the Corporate priority - *Making the best use of our resources* and the Medium Term Financial Strategy (MTFS).

3. Background

- 3.1 Bryngarw House is a Grade II listed country house, opened to the public in its current form in 1995, following significant investment to refurbish the building. The House is set within Bryngarw Country Park which occupies a total of 48 hectares (113 acres) on the west bank of the Afon Garw, at the mouth of the Garw Valley. Also set within the grounds is the B-Leaf, horticultural work-based project for people with disabilities.

- 3.2 The House has for many years operated as a training and conference venue with accommodation and restaurant. Historically it has boasted a strong wedding and events trade which has been the mainstay of its income generation. Bryngarw House has always required an annual operational subsidy from the Council, and, although this reduced steadily over the past decade, the last three years illustrate a downturn in income as a result of the economic climate and subsequent changes in spending patterns within the leisure and events market. Job evaluation included, the annual subsidy for 2013-14 was £97k with an actual out-turn for the financial year demonstrating an overspend of £115k against budget. This can be summarised as follows:

Budget 13/14 £,000		Outturn 13/14 £,000
426	Employees	371
114	Premises	94
253	Supplies/Services	192
- 696	Income	- 445
97	Net Subsidy	212

- 3.3 The Council's MTFS includes a savings proposal of £56,000 in 2015/16 to further reduce the current subsidy or remove it altogether. Within the most recent Cabinet Report of 13th November 2013, a recommendation was approved to procure a partner organisation to manage and operate Bryngarw House based on an affordability level set at a minimum of zero subsidy and a specification to secure the Council's social objectives.
- 3.4 The House has been subject to a number of Council led comprehensive reviews, often focussing on the role of the House and investigating its financial efficiency and performance. In tandem with the procurement process steps have been taken to improve the efficiency of the current operation through a series of measures designed to enhance function and guest facilities, increase marketing channels and reduce expenditure where possible.
- 3.5 In July 2011, Cabinet considered a report which set out the results of a marketing exercise that sought competitive bids for the disposal of the House on a freehold or leasehold basis. Bids received were considered below market value and a long term risk to a key heritage asset and the wider Park. Consequently, a sale was not progressed.
- 3.6 Bryngarw Country Park is currently part of a South Wales Regional One Historic Garden Project (OHG). This has funded the new visitor centre development and fixed the Country Park as a visitor destination based on learning and the enjoyment of a rich environmental heritage. Niche tourism and visitor markets are also being exploited or are in early development stages. These include the cycling and walking attractions of the Garw Valley and establishing Bryngarw Park as the gateway to explore the wider area. The Park achieved over 200,000 visits in 2013-14.
- 3.7 As approved by Cabinet the brand values of Bryngarw House and Park are based on:
- Authenticity
 - Learning
 - Exploration
 - Interpretation
 - Engagement
 - Sustainability
 - Healthy

4. Current Situation / Proposal

- 4.1 The return date for the bids for the management of Bryngarw was 20th February 2014. In the event only one bid was returned and subsequently evaluated by an officer group. The base bid, based on the two year contract set out in the specification, fell well short of achieving the necessary affordability threshold and could not be recommended for approval.
- 4.2 A variant bid as permitted under the tender process was also submitted which set out alternative plans over a revised ten year management contract period. The highlights of this bid are summarised as follows:
- Repair and renewal responsibility to remain with BCBC. This will become a contractual obligation upon BCBC to ensure that the property is in good repair.
 - Break even by year five, with 50% sharing of surplus: projected to be £22,000 by year ten. Significant restructuring costs budgeted for in year one to achieve long term goal of subsidy free operation.
 - more focussed marketing
 - reopening the house for business on all nights;
 - greater use of web based sales channels;
- 4.3 Over the first five years of the contract the cost to the Council would be approximately £500,000, front loaded in Year 1 to take into account current performance trends and re-structuring costs. Years 6-10 demonstrate a surplus payment to the Council profiled at an average of £8K per year. Against current revenue subsidy levels this is not a viable commercial proposition.
- 4.4 While the bid has many merits and the bidding organisation demonstrates an understanding of the House and its role within the Park and the community, the financial case has failed to match the Council's expectations - in particular the planned savings in the MTFS. The level of management fee proposed by the bidder is understandable given the current level of turnover and the increase in staffing costs as a result of Job Evaluation but it cannot be recommended as a preferred option.
- 4.5 Retaining the status quo is also not an option. The recent impact of job evaluation in particular demands a different model as the staff to turnover ratio is well outside industry benchmarks. Other options have been carefully considered but there remains no clear model that is devoid of risk. A preferred option should therefore be considered that best ensures the House is well-maintained, it remains a venue of choice for weddings, events and functions, and it secures a more predictable, less precarious income profile by which to operate the facility.
- 4.6 A delivery partner management model was preferred to freehold disposal as it maintains ownership of this key heritage asset by the Council and in doing so, reduces the risk of it falling into disrepair. As the centre piece of the wider park, should the House show signs of neglect it would seriously impact upon the Park as a visitor attraction and local beauty spot. A management agreement would also ensure a commercial approach is married into the brand values as described in Section Three of this report. In spite of the tender process not generating a clear option, the principles of ensuring the House operates in a more commercial

environment linked to social objectives are still valid and should remain as the medium term aim of the Council.

- 4.7 In the short-term a business model that sheds the House operation back to its core function is preferable. Functions and events have been the mainstay of the House operation for over 15 years. By re-positioning the House clearly in this market it should concentrate marketing resources on a single but significant strand of the business, and reduce the risk experienced currently whereby the Council is exposed to the volatility of the discretionary leisure overnight-stay market. The proposed model will ensure that all existing functions (including weddings) booked at the venue are honoured and will be delivered to the high quality standards customers have come to expect at Bryngarw.
- 4.8 The changes will necessitate a reduction in the offer currently available at Bryngarw House, notably the removal of discretionary over-night accommodation. Accommodation will be offered as part of the all-inclusive function packages where the enhancement to facilities should be attractive to both wedding and corporate markets. The new model will also see a reduction in restaurant operation. Consideration of the catering requirements will need to be fully appraised as part of the re-modelling process. The proposed changes will result in a significant cut back in the number of staff employed at Bryngarw House. The staff restructure will be achieved through the appropriate consultation processes with the staff and trade unions. The current cost of staffing is approximately 70% of turnover whereas the industry norm is nearer 40%.
- 4.9 In order to reduce the financial risks in-year and achieve the savings proposal identified in the MTFS for 2015-/16 which is £56, 000, the model described above in 4.7 and 4.8, of focussing on the functions and events trade only, will need implementation, with the aim of having the business re-focussed by the autumn of 2014. A full staff re-structure will be necessary. It is anticipated that a workforce structure that encompasses the Council's other cultural venues may provide the most efficient structure. The proposed solution will ensure that Bryngarw House remains financially sustainable and open to the public as part of the whole Bryngarw offer. A further review of the operation is suggested by April 2016 to ensure the new model of delivery is effective and determine the longer term future of the venue.

5. Effect upon Policy Framework& Procedure Rules

- 5.1 There is no impact on the policy framework and procedure rules.

6. Equality Impact Assessment

- 6.1 An EIA screening has previously been carried out, indicating that there are no specific issues associated with the options proposed for Bryngarw House.

7. Financial Implications

- 7.1 It is anticipated that the new model of service will save, as a minimum, the £56,000 savings proposal for 2015-16 referred to in the Council's MTFS, with the expectation of further savings reduction in the medium term and also mitigate the current overspend.

8. Recommendation

8.1 Cabinet are asked to approve the following:

- that the bid received via the tendering exercise to secure a partner to manage Bryngarw House is rejected on the grounds of financial affordability and long term contract commitment.
- that Bryngarw House becomes exclusively a functions and events venue and that the necessary workforce and business re-structuring is undertaken to achieve this by the autumn of 2014.
- that options continue to be considered for the medium term future of Bryngarw House that will enable it to achieve its social objectives but within an appropriate commercial operating environment.
- that a further report is presented to Cabinet by April 2016 reviewing the proposed operating model set out in the report.

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Background documents

Cabinet Reports 5th March 2013 and 13th November 2013