

## OFFICER DECISION

Decision: **LLC Contract Variation to remove Surplus Share and Increase Management Fee**

### (i) Details of decision

To agree to the contract variation to remove the surplus share element from the contract for the remaining six years, in favour of a guaranteed £100,000 per annum uplift in the management fee.

The decision is urgent and not subject to call in due to the deadline of 31st May, implemented by Fusion.

### (ii) Reasons for decision

Contract Year	Financial Year	Council Surplus Share
3	2010/11	£0
4	2011/12	£44k
5	2012/13	£88k
6	2013/14	£55k
7	2014/15	£176k
8	2015/16	£88k
9	2016/17	£28k provisional
TOTAL		£479k

As you can see in the above table the levels of profit share have fluctuated since year 3 of the contract, when Fusion started to pay a positive management fee to the council, after the LLC refurbishment had been completed.

The average surplus share per annum in the 7 years since the council refurbished the leisure centre is £68.43k, we predict that this is likely to dip for the remainder of the contract.

The surplus peaked on year 7 of the contract and has considerably declined since then. When we factor in that the building is now approaching 9 years on from its refurbishment it is predicted that the maintenance costs of the building and its plant will considerably increase going forward, which would reduce any future surplus.

The current management fee is £149,610.72 per annum. If we accept the £100,000 uplift from Fusion for the remaining 6 years of the contract the base management fee will be guaranteed and rise to £249,610.72, which will in turn increase by RPI each year.

If we stick with the current arrangement of a 50/50 share of the total surplus not only is there an increased financial risk, but it also makes it very difficult to budget the amount of profit share each year, due to the way that it can be affected and fluctuate.

### (iii) Details of any alternative options considered and rejected

None

### (iv) Conflicts of Interest and any Dispensations Granted

None

Decision taken by:

(i) Name: Yvonne Rees

(ii) Job Title: Chief Executive

Date of Decision: 30<sup>th</sup> May 2017

Date of Publication of Record of Decision: