Bath & North East Somerset Council

Decision Register Entry

Cabinet Meeting Resolution

Executive Forward Plan Reference	E2782

Leisure Contract - Capital approvals and reserve use

Date of Meeting	9-Sep-15
The Issue	To fully approve the capital budgets for leisure facilities and agree the drawdown from the Invest to Save Reserve.
The decision	**RESOLVED** (unanimously): 1) To fully approve the element of current capital budget of £7.635m for Bath Leisure Centre Refurbishment. 2) To fully approve the capital budget of £2.0m for potential Council costs associated with the delivery of the contract. 3) To fully approve the capital budget of £2.0m for Bath Recreation Ground Trust capital works. 4) To extend the use of the Invest to Save reserve to up to 6 years (rather than the previously approved 4 years) to optimise the smoothing of Council and Leisure Operator costs, and that this be repaid over a period of up to 10 years. 5) To increase the Leisure base budget by £175kpa to cover the ongoing cost of the annual payment to the Bath Recreation Ground Trust thus increasing the financial pressure on the Council which will need to be considered as a commitment as part of the 2016/17 budget.
Rationale for decision	In order to commence works on site and to support the implementation of the Leisure Contract, the budgets need to be fully approved to enable authorised expenditure. The rationale for the Invest to Save decision is largely on a value for money basis, this being the most cost effective way of financing the early years of the new Leisure Contract.
Other options considered	Not to re-procure the contract. This would have involved taking the service back ‘in house’ as there was no provision to extend the Aquaterra contract. This option would have involved significant costs to the Council with a much reduced prospect of additional income being generated as the Council does not currently have the expertise to do this. Condition surveys identified £5.7 million worth of works that needed to be completed to bring the sites up to an acceptable standard. This was to address the falling customer satisfaction with the facilities and ensure usage did not decline and impact on income generation. These works would not have provided any additional income, but would be required to maintain current levels meaning that ‘do nothing’ was not a viable option. The likely borrowing cost of this work would be c£400k pa over 20 years. Bringing the service back ‘in house’ would have required the Council to develop the facilities itself without the support of the considerable expertise that exists in the market place. Experienced leisure contractors are far better placed to both deliver the developments themselves and then ensure those facilities are used to drive maximum increases in both

	participation and income. Further to this there would have been significant financial impacts on income and expenditure with a Council operated facility. The Council would also have been required to charge VAT on memberships, something which Charitable Trusts do not, resulting in either a 20% increase in membership cost to the public or a 20% drop in income. The Council would also have been required to pay the full NNDR costs which currently stand at c.£55k per year due to charitable trusts only being required to pay 20% of these costs this would have increased to c.£275k per year. The Leisure provider to cover all borrowing over £12m. This would have led to reduced payments to the Council and therefore was not recommended on a value for money basis, however this still requires the Council to provide a guarantee over the additional borrowing. The Leisure provider to smooth payments to the Council and cover the balance by borrowing. This would have led to reduced payments to the Council and therefore was not recommended on a value for money basis.

The Decision is subject to Call-In within 5 working days of publication of the decision