

## WRITTEN STATEMENT OF A KEY DECISION CABINET

<b>ITEM:</b>	<b>PROGRAMME FOR INVESTMENT AT HEREFORDSHIRE COUNCIL LEISURE FACILITIES</b>
Members Present:	Councillors: AW Johnson (Leader), H Bramer, J Millar, PM Morgan (Deputy Leader), GJ Powell, PD Price.
Date of Decision:	23 January 2014
Exempt:	No
Confidential	No
<p>This is a key decision because</p> <p>It is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.</p>	
<p>A notice was served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.</p>	
Urgency/Special Urgency: (As defined in Constitution)	No
Purpose:	To approve in principle the investment of £9m capital, funded by Prudential borrowing for improvements at Herefordshire Council leisure facilities. This is part of a package of changes to the contractual arrangements between the council and Halo Leisure to support the delivery of financial savings whilst enhancing service quality by increasing income levels.
<b>Decision:</b>	<p><b>THAT:</b></p> <p>(a) <b>subject to Council approval of the Capital Programme in February, up to £9m of capital funding for investment in improvement programmes at the following leisure facilities across the county: Hereford Leisure Centre, Hereford Leisure Pool, Leominster Leisure Centre, Ledbury Swimming Pool and Ross-on-Wye Swimming Pool be approved;</b></p> <p>(b) <b>the investment to be funded via prudential borrowing and repaid by the leisure operator, currently Halo Leisure, via a rental charge over 25 years using increased income;</b></p> <p>(c) <b>authority be delegated to the Director for Economy, Communities and Corporate, in consultation with the Chief Finance Officer and Cabinet Member Contracts and Assets to approve fully costed business cases</b></p>

	<p>and implementation arrangements for individual schemes within the programme prior to any draw down of capital;</p> <p>(d) authority be delegated to the Solicitor to the Council, in consultation with the Director for Economy, Communities and Corporate to conclude and execute revised legal agreements between the council and Halo Leisure to reflect the complete package of revised arrangements between the parties;</p> <p>(e) subject to the completion of a Sports Facilities Strategy application is made to the Sport England facilities funding programme for up to £2m for larger schemes and £0.5m for smaller schemes; and</p> <p>(f) that further investigation is continued regarding funding through a planning application for the redevelopment of Ledbury swimming pool to assist with mitigation of the total amount of borrowing subject to Council approval of the Capital Programme in February, up to £9m of capital funding for investment in improvement programmes at the following leisure facilities across the county: Hereford Leisure Centre, Hereford Leisure Pool, Leominster Leisure Centre, Ledbury Swimming Pool and Ross-on-Wye Swimming Pool be approved;</p>
<p>Reasons for the Decision:</p>	<ol style="list-style-type: none"> <li>1. Up until 2013-14 Halo received a service fee totalling £1.5 million to manage the council's leisure facilities.</li> <li>2. To support the Corporate Savings Plan this was reduced to £840k in 2013-14, £676k in 2014-15, £386k in 2015-16, reducing to zero in 2016-17.</li> <li>3. To date Halo have reduced staff pay by 5% and restructured terms and conditions. Many of their business processes have also been stream-lined to further increase efficiency to manage the effect of the reduced payments.</li> <li>4. Halo have won additional contracts in Bridgend and Shropshire spreading their management costs and proving their competitiveness in the market.</li> <li>5. The capital investment in council owned facilities will facilitate increased income, the third segment of their financial strategy to meet the zero subsidy target.</li> <li>6. The investment will help to ensure the long term structural viability of the facilities and attend to a number of long standing and outstanding maintenance issues affecting the buildings.</li> </ol>
<p>Options Considered:</p>	<ol style="list-style-type: none"> <li>1. <i>Not allocating Prudential Borrowing monies</i></li> </ol> <p>If the investment programme is not approved Halo's financial</p>

	<p>recovery model enabling them to become sustainable on the reduction of the management fee will not be achievable.</p> <p>The investment will also attend to long term maintenance and energy efficiency issues at the facilities which remain in the council ownership. Failure to invest in the council owned assets could put some of the facilities at risk of closure for health and safety risks in the future.</p> <p>2. <i>Allowing the current contractual arrangements to continue</i></p> <p>There are currently leases in place for Halo occupied sites which are not on a full repairing basis, leaving liability for repairs to the Council which to date have not been carried out. There is also still in place a management agreement obliging Halo to carry out management duties in relation to the sites in return for a management fee of over £1.5m per year. This obligation has been amended by agreement in principle only to reduce this spend. No legal variation of the full payment obligation has been agreed or effected to date. If the current contractual arrangements are not amended Halo could at any time call upon the Council to honour these contractual obligations leaving the Council with arrears of management fees to pay and repair liability to carry out. Provided the advancement of borrowing is subject to variation of all current contractual arrangements the proposed expenditure could ensure essential repair works are carried out and the sites improved at the cost of Halo with reduction in contractual liability of the Council to these sites and this provider.</p>
<p>Conflict of Interest ■ (See below):</p>	
<p>Date the key decision is due to take effect:</p>	<p>29 January 2014</p>

<p><b>COUNCILLOR AW JOHNSON</b> .....Date: 23 January 2014  <b>LEADER OF THE COUNCIL</b></p>
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■ a record of any conflict of interest declared by any executive member who is consulted by the member which relates to the decision;

And

■ in respect of any declared conflict of interest, a note of dispensation granted by the relevant local authority's head of paid service.