

## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS –

Leisure Strategy Part 1 – Proposed Direction of travel for Council managed leisure centres.

Contribution to the Council's Corporate Priorities/ Objectives:	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people's lives</p>
Consultation:	<p>This report was prepared in consultation with the members of the leisure Task and Finish Group.</p> <p>Schools and County as owners of the joint use pools have been informed of the possible direction of travel.</p> <p>In addition, key stakeholders to consultation were swimming clubs, Judo club and our current leisure contractor.</p>
Legal:	<p>The key legal implications to this report relate to the risks surrounding the joint use agreements. Future educational funding for the 40% of operating, repairs and maintenance costs which the schools and County currently pay is uncertain after Aug 2019. Re-negotiation of these agreements will be key in securing the future direction of travel for leisure.</p>
Financial:	<p>The Capital costs for this project total approximately £30m -£31.2m at current estimations.</p> <p>Funding for the project would need to be a combination of reserves currently held by the authority with an element of PWLB borrowing.</p> <p>The cost of funding this project has been calculated below.</p> <p>The modelling performed is based on a number of assumptions including;</p> <ul style="list-style-type: none"><li>• the current PWLB rates,</li><li>• the return on current investment</li><li>• a combination of both borrowing and use of</li></ul>

## reserves

This modelling was based on the capital costs of development being charged over the lifetime of the final assets.

In reality these assumptions could change over the life of the project and may affect the overall financial outcomes.

<u>Leisure Strategy</u>	Option A	Option B
<b>Cost of Investment</b>		
<b>Approx. Total Capital cost</b>	<b>31,200,000</b>	<b>30,000,000</b>
Interest Cost	255,000	220,000
Principal repayment	465,000	401,000
Loss of Interest	506,000	506,000
Rent to School	5000	0
<b>Total Annual cost</b>	<b>1,231,000</b>	<b>1,127,000</b>
Additional income	(1,123,753)	(1,306,013)
<b>Total Additional Annual income</b>	<b>(1,123,753)</b>	<b>(1,306,013)</b>
<b>(Surplus) Deficit</b>	<b>£107,247</b>	<b>(179,013)</b>

However, based on the assumptions referred to and the improved income position of the refurbished and rebuilt Leisure facilities it can be assumed that there will be a net positive impact on the revenue income of approx. **£180k.**

As with most financial modelling the assumptions may change over time and the impact of the development on the revenue budget may cause additional pressure or generate additional receipts.

For option B our modelling has included sensitivity analysis based the following changes; 0.25% increase in PWLB interest rate, 5% variations in revenue income and a 80/20 split resulting in a higher proportion of borrowing required.

Each of these examples of sensitivity resulted in a negative variation to the net income stream but always within the breakeven point.

Human Resource:	N/A
Risk Management:	<p>A project risk register has been produced. Key areas are:</p> <ul style="list-style-type: none"> <li>- Public perception</li> <li>- Legal agreements with JUPs</li> <li>- Ongoing revenue and capital costs of leisure facilities</li> </ul>
Health and wellbeing – issues and impacts:	<p>Under the National Health Service Act 2006, each local authority has a duty to ‘take such steps as it considers appropriate for improving the health of the people in its area’. Further subsections set out the wide-ranging steps which may be taken to fulfil this duty, including providing information and advice, and making available the services of any person or any facilities.</p>