

NPDB PROCUREMENT

EXECUTIVE MEMBER: Cllr Michael Ashbrook
LEAD OFFICER: Keith Parker
REPORT AUTHOR: Keith Parker

Summary: This report seeks Executive approval to appoint North Country Leisure Ltd to manage the Council's principal Leisure Facilities from 1 April 2006.

Recommendation:	<p>That:</p> <ul style="list-style-type: none">a) The Partnership contract for the management of the Council's Leisure Facilities be awarded to North County Leisure Ltd (NCL).b) The pensions underfunding for the transferring employees be met by a single contribution from the Major Projects Fund, andc) A Capital Maintenance fund be established at £65,000 p.a with the first years contribution being met by top-slicing the Public Buildings Capital Programme for 06/07.d) Executive recommend to Full Council that two Members be appointed to the local management board one of whom should also be nominated to sit on NCL's main charity board.
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Impact on delivering the Corporate Plan: The establishment of a non-profit distributing body to deliver the management and operation of the Council's Leisure Facilities to release savings to invest in Arts and Sports Development is a key objective in the Corporate Plan.

Impact on other statutory objectives (e.g. crime & disorder, LA21): The refocusing of the Council's Leisure Facilities presents an opportunity to strengthen their support for corporate objectives such as Health, Young People and Crime and Disorder. Equally reinvestment of savings in Arts and Sports Development will enable this team to be far more active in the pursuit of these same objectives.

Financial and human resource implications: Negotiations with NCL have now concluded at the indicative annual price identified in the last report to Executive. This realises a saving of £138,000 for reinvestment in the Community Development Team.

The Pensions deficit is a liability on the Council at the point of transfer, payment of the sum from the Major Project Fund clears the deficit permanently. It should be noted NCL have committed

themselves to retaining existing and future employees in the Local Government Superannuation Scheme. The level of underfunding was assessed as some £240,000 15 months ago. This assessment is being brought up to date for a 1 April Transfer and Executive will be advised verbally of the current shortfall.

The agreement with NCL transfers the majority of fabric maintenance liabilities to them from the Council with exceptions noted at paragraph 3.1. A fund is to be established to allow for major capital expenditure in the expectation that none will be necessary until after year 5 at which point the new developments at Pow Beck may be realised providing the Council with a sum of money to help fund that project rather than utilise on the existing buildings.

Project & Risk Management:

A separate Risk Plan has been drawn up for the project to date and subject to approval to proceed will be updated to reflect the change from a procurement exercise to an implementation exercise.

Key Decision Status

- **Financial:** This project has been included on the forward plan as a major project with a significant financial impact. Identified savings at the point of writing for investment into the Community Development Team stand at £136,656. It should be noted that other costs such as £50 – 60,000 additional utility costs have been absorbed through the procurement process and may contribute to the Council's Gershon targets.
- **Ward:** None

Other Ward Implications:

1. INTRODUCTION

- 1.1 On 2 February Executive nominated North Country Leisure Ltd, a Charitable Trust, as preferred bidder for the management of the Council's principal leisure facilities. Since that time negotiations with NCL have proceeded and it is now possible to report they have been concluded in line with the predictions on 2 February.
- 1.2 In relation to the 'contract' price this is confirmed as that previously reported, saving the Council £136,656 for reinvestment in the Community Development Team. This provides an opportunity for the Council to significantly increase its outreach activity of sports and arts officers. This team has the potential to address health, social inclusion and regeneration projects to a far greater extent than has been the case and one early project will be to secure £211,000 of Sport England Funding provisionally allocated to

Copeland to establish a Sport and Physical Activity Alliance where the current team does not have sufficient capacity to drive such an initiative.

- 1.3 The negotiations have, as expected, secured a significant risk transfer on building maintenance. For all buildings the Council will retain responsibility for foundations, structural walls and roof structures as well as insurance. For Cleator Moor Bowls and Recreation Centre NCL will take all other maintenance and repair items with the exception of the all weather pitch. This latter which they will maintain but not ultimately replace. A mechanism has been included in the contract to remove the pitch should the Council at some point in the future determine not to replace the surface. In respect of Whitehaven Civic Hall NCL will take on all repairs and maintenance issues. With respect of the Sports Hall and Pool NCL will take on repairs and maintenance for a 5 year period as identified in the condition survey commissioned to support this project except that some major items have been moved to the year 5 to 10 period where at this time the risk of failure is deemed low. The contract price reflects this and means that should the Pow Beck developments come to fruition money is not spent where not absolutely necessary. The average annual cost of these deferred items is estimated at £65,000 and it is suggested a fund should be created at this annual value to offset major repairs if needed but if not the sum is used to assist with the Pow Beck relocation. As reported in February a change mechanism has been built into the contract to allow NCL to operate the new facilities at a revised price at that time. For this year (06/07) it is recommended the fund is established by top-slicing the approved 2006/07 Public Buildings Capital Investment budget of £250,000
- 1.4 In addition to the above clauses have been built into the contract which allow flexibility over other risks which already fall on the Council, such as the potential need to use the buildings at time of major emergencies or if there is significant legislative change.
- 1.5 As previously reported, in order to be able to more accurately assess the building maintenance costs, and therefore risks, agreement was reached that NCL would commission an up to date condition survey of the Leisure Buildings. If they then become the Council's partner costs would be written off by NCL over the life of the partnership contract. This survey was commissioned and has been used as the basis of negotiations around maintenance risk transfer from the Council to NCL.
- 1.6 Since the last report an assessment the pensions deficit for transferring employees has been commissioned. At the time of writing the outcome of this assessment is not available and so the figure will be verbally reported. It should be noted that an assessment was undertaken 15 months ago and has been reported to Executive (November 04) when the underfunding liability on the Council stood at £240,000. This sum is a liability on the Council whether the Council proceeds with this contract or not. In this case it is recommended that the outstanding deficit is cleared by a one off payment funded from the Major Projects Fund which currently stands at £304,000
- 1.7 Finally, NCL have changed the constitution of their main Charities Board to accommodate this partnership. The net effect is to be able to offer Copeland equal representation (one third) on the main board as both Tynedale and Alnwick Districts. There is now an intention to establish a local management board of approximately 15 people of whom two are sought from this Council. It is then proposed that one of the two local management board Members is also nominated to sit on the Main Charities

board. Accordingly Executive is asked to recommend to Full Council that two Members are nominated to sit on the local board with one of the two also being nominated for the main board.

List of Appendices

none

List of Background Documents:

List of Consultees: Corporate Team Cllr Michael Ashbrook