

12<sup>th</sup> March 2018

## Policy, Projects and Resources

### Brentwood Leisure Trust - Operational Loans, Leases and Service Level Agreement

*Report of:* Philip Ruck – Chief Executive

*Wards Affected:* All

*This report is:* Public

#### 1. Executive Summary

- 1.1 Brentwood Leisure Trust (BLT) receives a fee of £141k per year from the Council to manage the community halls.
- 1.2 This report seeks approval to phase out the management fee paid to BLT over 2 years and to provide loan financing to ensure the trust has sufficient cash to invest in improving facilities that benefit the community, increase usage and promote community health.

#### 2. Recommendations

- 2.1 **To approve an Improvements Loan of £180,000 to the Brentwood Leisure Trust for a term of 5 years, following a 2-year payment and interest holiday. Interest rate to be charged at 1.5% based on the Council's cost of PWLB borrowing over 7 years.**
- 2.2 **To approve a 2-year payment and interest holiday on the existing loan to BLT (approximately £163k outstanding by 31<sup>st</sup> March 2018) and repay the balance over a term of 5 years, following the 2-year payment holiday. Interest to then be charged at 1.5% as above.**
- 2.3 **To reduce the payment of a Community Halls Management Fee to BLT by £100,000 (to £40,800) from 1<sup>st</sup> April 2018 and withdraw it completely from 1<sup>st</sup> April 2019.**
- 2.4 **To extend the lease and service level agreement for the Halls for a further year and delegate authority to the Chief Executive in consultation with the Chair of P, P & R to finalise the lease.**

### **3. Introduction and Background**

- 3.1 As part of the Council's budget savings exercise, meetings were held with Brentwood Leisure Trust (BLT) to discuss how, by mutual cooperation of both parties, a reduction or removal of the payment of the Halls Management Fee to the Trust could be achieved.
- 3.2 BBC have, since 2004, paid a "Halls payroll fee" to BLT to cover the cost of the Halls staff. This has gone from a peak of £175k pa to £140,800.
- 3.3 The payment has been negotiated downwards in the past, but it was recognised that it would not be in either party's interest to now remove the payment if it meant that the Trust could no longer operate as a going concern.
- 3.4 The Trust is currently committed to spending £180,000 on improvement works but is yet to secure a bank loan. It does have some expected savings over the coming 2 years, eg through lease payments dropping out.
- 3.5 The planned improvement works include new flooring for the Sports Hall, Squash Courts and Fitness Studio and new hi-tech curtains that will improve turnaround times between bookings, enabling more bookings to be catered for. This will subsequently improve the quality of the facilities available to the community, improve community health and increase income via greater foot-fall with longer periods of let-ability.
- 3.6 Following the meetings with BLT it was established that an "invest to save" type strategy on the part of the Council could secure the required reduction in the Management Fee, along with the plans by BLT to improve the facilities available to the community.

### **4. Proposed way forward**

- 4.1 Offer a £180,000 loan to BLT for improvement works which will enable them to invest in better facilities for the community and generate higher income.
- 4.2 Consolidate this new loan with the existing loan already in place and charge 1.5% interest based on Council's cost of PWLB borrowing over 7 years.

- 4.3 Offer a 2-year payment, and interest, holiday on the consolidated loan so the Trust can manage its expenditure down and increase its income following the improvement works and Halls initiatives.
- 4.4 Require repayments to re-commence on the consolidated loan over a 5-year term with effect from April 2020 and applying an interest rate of 1.5%.
- 4.5 Reduce the payment of the Management Fee by £100,000 in respect of 2018/19 and a further £40,800 in respect of 2019/20.
- 4.6 Extend the Leases and Service Level Agreement on the Halls by a further year from 1<sup>st</sup> April 2018.
- 4.7 BLT to programme and carry out the necessary dilapidation works on the Halls.
- 4.8 BLT is currently seeking the approval of its own Trustees to this approach.

## **5. Reasons for Recommendation**

- 5.1 This is an “invest to save” opportunity for the Council and sets out a way forward for the Council to save money and for the Trust to be able to invest in improvement works that will in turn increase facilities available to the community, community health and also its own income levels.

## **6. Consultation**

- 6.1 Discussions have been undertaken with BLT to secure an arrangement that is mutually beneficial

## **7. References to Corporate Plan**

- 7.1 Value for money: Policies that invest in key services to create opportunity for all, provide better value for Brentwood’s taxpayers and enhance the Borough’s infrastructure whilst modernising and transforming Brentwood Borough Council. We will re-prioritise and focus our resources and be innovative in our approach.

## **8. Implications**

### **Financial Implications**

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- 8.1 As set out in this report. Revenue savings of £140,800 will be achieved: £100,000 in 2018/19 and £140,800 each year thereafter. The loan will not be a cost to revenue, unless BLT fail to repay. Loan repayment holidays do not impact on revenue.

**Legal Implications**

**Name & Title: Daniel Toohey, Monitoring Officer**

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- 8.2 Legal Services are available to provide ongoing advice and assistance in relation to the redrafting of leases, service level agreements and loan agreements under this proposal.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.3 The Community Halls will continue to be managed efficiently and effectively by Brentwood Leisure Trust on behalf of Brentwood Borough Council and kept in a good state of repair

- 9. Background Papers** (include their location and identify whether any are exempt or protected by copyright)

- 9.1 None

**10. Appendices to this report**

- 10.1 None

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