

**Subject:** Leisure

**Status:** For Publication

**Report to:** Cabinet  
Council

**Date:** 21 January 2009  
26 February 2009

**Report of:** Chief Executive

**Portfolio**

**Holder:** Portfolio Holder for Leisure

**Key Decision:** Yes

Forward Plan  General Exception  Special Urgency

**1. PURPOSE OF REPORT**

1.1 To present options in relation to leisure.

**2. CORPORATE PRIORITIES**

2.1 The matters discussed in this report impact directly on the following corporate priorities and associated corporate objective.

- Delivering Quality Services to Customers (Customers, Improvement)
- Delivering Regeneration across the Borough (Economy, Housing)
- Keeping Our Borough Clean and Green (Environment)
- Promoting Rossendale as a cracking place to live and visit (Economy)
- Improving health and well being across the Borough (Health, Housing)
- Well Managed Council (Improvement, Community Network)

**3. RISK ASSESSMENT IMPLICATIONS**

3.1 Failing to take proactive actions as a consequence of the financial pressures being experienced by Rossendale Leisure Trust will result in a significant financial impact on the Council's overall budget. Considering the closure of facilities as part of a wider reconfiguration of leisure provision will result in concern from the public and stakeholders.

3.2 Failure to take proactive action and to work together to find a solution / agreed funding position / asset control may result in the liquidation of the Trust which would also be of concern to the public / stakeholders / employees .

3.3 The progression to sustainable leisure provision in the borough will rely on robust business planning and financial forecasting by the Trust. A significant test in the Trust's ability to make accurate financial forecasts will come in the

first half of 2009 as a consequence of the Council's £1.2m backing of the Haslingden Sports Centre refurbishment.

- 3.4 Major changes to staffing establishments can result in litigation. The Trust would need additional funds to deal with any associated costs.
- 3.5 If the Trust do not surrender appropriate leases, the Council may have to serve notice on the Trust in order to regain the leisure facilities. In this event it is assumed that the grant for 2009/10 will remain as 2008/09.
- 3.6 The consequences of which, for the Trust, will be trading whilst insolvent should the trust continue to operate all facilities and yet not be able to find alternative funding. This event is likely to occur sometime during the summer months.
- 3.7 If the Board Members find that they are trading whilst insolvent and with no opportunities to rectify the situation they are duty bound to enter into voluntary liquidation. For the Council this will mean bringing the facilities back in house and then implementing the preferred option.

#### **4. BACKGROUND AND OPTIONS**

- 4.1 The Cabinet report of 3 December 2008 clearly articulated the significant financial pressure being faced by Rossendale Leisure Trust and recognized that options needed to be developed in order to resolve the matter. The report followed previous work undertaken during 2007 when the Borough's Leisure White Paper was agreed. The recommendations arising from the White Paper included the following and feature in the options presented in section 5.

1. Business Case for the development of Bacup Leisure Hall based on detailed community consultation	June 2009	Included in options
2. Deliver Health and Fitness Suite	Sept 2008	Completed
3. Deliver replacement pool on Haslingden Sports Centre Site	Sept 2010	Included in options
4. Develop business case for Marl Pits Sports Village	Sept 2009	Work ongoing

- 4.2 Rossendale Leisure Trust is an independent organization that manages the facilities, cultural and arts services on behalf of the Borough Council. The core funding agreement which operated for the first 3 years has now expired and it is therefore appropriate to agree a new funding package. The Community Leisure Association for Whitworth also operates Rossendale Borough Council facilities, based in Whitworth. This report only relates to Rossendale Leisure Trust.

4.3 The issues being faced by Rossendale Leisure Trust and the Borough Council relate to;

- Increased operational costs resulting in a request for grant funding of £720k, an increase of £207k or 40% on funding from 2008/09
- A balance sheet deficit of approximately £400k forecast for 31<sup>st</sup> December 2008. This has been accrued over the past four years and is in part as a consequence of the Trust requiring additional funding in excess of the grant provided by the Council.
- Increasing age and quality of leisure buildings requiring increasing revenue and capital support

A range of actions have previously been taken by Rossendale Borough Council to support Rossendale Leisure Trust moving to a sustainable funding position including in 2006 a one-off £240k to support restructuring costs, and the Council acting as guarantor for the £1.2m scheme at Haslingden Sports Centre.

## 5. OPTIONS

5.1 In order to address the issues identified earlier there is an urgent need to agree a revised business and funding plan with the Trust with the aim of reducing and mitigating existing and future financial and operational risks.

5.2 In agreeing a revised approach to delivering leisure within the borough there is a need to ensure the offer is affordable and sustainable.

5.3 There will be a need to optimize market opportunities and in doing so redefine the public/private facility mix whilst potentially attracting private sector investment.

5.4 A summary review of the latest grant request of the Trust is set out in the table below: (brackets denote losses). A fuller description of the funding position is then set out in the following paragraphs.

	<b>2009/2010 £000</b>
External Activities	17.9
Bacup Leisure Hall	(64.5)
Haslingden Lifestyle Centre	5.8
Haslingden Pool	(126.2)
Marl Pits Pool	(117.6)
Art Healthy/Lifestyle	(62.6)
Ski	37.2
Head Office	(410.1)
<b>Total</b>	<b>(720.1)</b>

#### 5.4.1 External Activities

Positive Contribution : £17.9k

This is the recharge of the Trust's management time for overseeing the running of various schemes/projects.

#### 5.4.2 Bacup Leisure Hall

Negative Contribution : £64.5k

The facility has struggled over many years and offers a poor quality facility. The sports function is extremely limited and whilst it is utilised for entertainment and hospitality functions, these are limited.

Opportunity -A joint bid with the County Council has been submitted for lottery funding to transform the centre focusing on the needs of young people and leisure provision. We will be notified if this bid has been successful during the spring of 2009.

#### 5.4.3 Haslingden Lifestyle Centre

Positive Contribution : £5.8k

This facility has recently opened and offers a fitness and leisure offer.

Opportunity - It would benefit from a co-located swimming pool which would strengthen the offer.

There is an outstanding loan of £1.2m payable over 25 years relating to this site and this has been reflected in the budget costings. The Trusts ability to recover the cost of this investment through increased revenues is a critical test of the Trusts accuracy in Financial and Business planning. Repayment of the investment commences in March 2009 at £14.2k per month.

#### 5.4.4 Marl Pits Swimming Pool

Negative Contribution : £117.6k

The pool is outdated and requires refurbishment to maintain its current customer base. The increase in running costs looks set to increase thus increasing the revenue pressure in the future.

Opportunity - There may be an opportunity to consider the pool in light of the Sports Village Project. The pool is excluded from the project and therefore potentially presents an opportunity for the Council to seek a private sector leisure partner in order to re develop a leisure and fitness suite. This would complement the aims of the sports village whilst encouraging private sector investment. In addition, should this course of action be approved, it would be recommended a

significant element of any capital receipt should be ring fenced to support the development of Marl Pits sports facilities.

#### 5.4.5 Haslingden Swimming Pool

Negative Contribution : £126.2k

The pool is out-dated and requires increasing capital and revenue support in order to continue functioning. With regard to further remedial work at the pool, a recent surveyors report concluded that “the level of cost together with the associated risk and disruption may result in the refurbishment not being a viable option” There is a longstanding aspiration to develop a replacement pool linked to the Haslingden Lifestyle Centre.

#### 5.4.6 Arts and Healthy Lifestyle

Negative Contribution : £62.6k

The area of “Lifestyles” encapsulates: Arts Development, Sports Development and Healthy Lifestyles (i.e. GP Referrals), the latter area being self financing. The detail is as follows:

	<b>£000</b>
Sports Development	(32)
Arts	(38)
Healthy Lifestyles	7
<b>Total</b>	<b>(63)</b>

#### 5.4.7 Ski Rossendale

Positive Contribution : £37.2k

The ski slope facility is outdated and requires significant investment. It continues to experience continued competition which has impacted significantly on its income levels.

It is estimated the slope will require in excess of £10m investment and it is recommended that work should commence exploring if there is an opportunity for private sector investment. In addition it is recommended an agreed income target is agreed with the Leisure Trust pending a report being brought forward on the future viability of the slope. Should income levels drop below the agreed target; this will trigger a further report to Cabinet outlining options.

5.5 In reviewing the options surrounding leisure facilities in the borough consideration has been given to bringing the management of the facilities back under the direct control of the Borough Council. It is considered that such an approach would not fundamentally address the reasons behind the underlying deficit, which in part are due to the age and quality of the facilities.

5.6 In moving forward the Council has identified a set of parameters against which to test options. The parameters against which options are viewed as viable are that they:

- Maintain Rossendale Leisure Trust as a viable organization
- Address and improve the quality of the leisure infrastructure to ensure fit-for purpose facilities
- Require no unsustainable or unaffordable increase in the overall level of grant funding

5.7 The following seven options have been developed for consideration and have been assessed against the parameters above. Options A, E, F and G do not meet the parameters and Options, B, C and D comply.

#### **Option A**

Increase the grant to Rossendale Leisure Trust in line with inflation only with no additional increase. No formal undertakings be given to the Rossendale Leisure Trust to support them beyond specific commitments given in relation to existing loans. In this case the Trust would cease to be viable within 2009/10.

Following this a decision would need to be made on future leisure provision and management arrangements for the borough.

Grant funding requires £513k for the year 2009/10 and 2010/11

**This option does not meet the parameters set out above as it does not maintain Rossendale Leisure Trust and is therefore not recommended for consideration.**

#### **Option B**

Develop a new pool at Haslingden Sports Centre and reduce costs by targeting those services or facilities which have a negative financial effect. Seek a private sector development partner to develop Marl Pits pool site for the re-provision of leisure. In addition, ring fence a significant element of any capital receipts received as a result of this option towards improvements to the Marl Pits sports facility.

Action Required:

- Commence design brief and procurement project for new pool including seeking appropriate planning permission
- Closure of Marl Pits Pool Spring 2009
- Review Head office costs associated with pools
- Take the opportunity of vacancy freezes (particularly at Ski Rossendale)
- Closure of Bacup Leisure Hall from Spring 2009\*
- Closure of Haslingden pool on completion of new pool ( subject to planning permission being obtained )
- Develop Marl Pits pool site for re-provision of leisure
- Renegotiate funding agreement, business plan and associated legal issues with the Rossendale Leisure Trust.

\* Demolition programme to be agreed dependent on outcome of lottery funding.

Grant funding required £500.7k for the year 2009/10 and £544k for 2010/11 and £3m borrowing.

**This option meets the parameters set out above and is recommended for consideration**

### **Option C**

Develop a new pool at Haslingden Sports Centre and reduce costs by targeting services or facilities which have a negative financial effect. Seek a private sector development partner to develop Marl Pits pool site for the re-provision of leisure and ring fence a significant element of the capital receipts towards improvements to the Marl Pits sports facility. Closure of Bacup Hall by 31 December 2009 unless grant application is successful or community use solution can be developed.

Action Required:

- Commence design brief and procurement project for new pool including seeking appropriate planning permission
- Closure of Marl Pits Pool from Spring 2009
- Review Head office costs associated with pools
- Take the opportunity of vacancy freezes (particularly at Ski Rossendale)
- Closure of Haslingden pool on completion of new pool ( subject to planning permission being obtained )
- Develop Marl Pits pool site for re-provision of leisure
- Continue to operate Bacup Leisure Hall pending a successful lottery grant application or take-over by the community. If neither is successful Bacup Leisure Hall to close by 31 December 2009
- Renegotiate funding agreement, business plan and associated legal issues with the Rossendale Leisure Trust

Grant funding required £546k for the year 2009/10 and £544k for 2010/11 and £3m borrowing.

**This option meets the parameters set out above and is recommended for consideration**

### **Option D**

Develop a new pool at Haslingden Sports Centre and close Haslingden Pool on 1 April 2009. Reduce costs by targeting services or facilities which have a negative financial effect. Seek a private sector partner to develop Marl Pits pool site for the re-provision of leisure and ring fence a significant element of the capital receipts towards improvements to the Marl Pits sports facility. Closure of Bacup Hall by 31 December 2009 unless grant application is successful or community use solution can be developed.

Action Required:

- Commence design brief and procurement project for new pool including seeking appropriate planning permission
- Closure of Haslingden Pool from Spring 2009
- Review Head office costs associated with pools
- Take the opportunity of vacancy freezes (particularly at Ski Rossendale)
- Closure of Marl Pits pool on completion of new pool
- Develop Marl Pits pool site for re-provision of leisure.
- Continue to operate Bacup Leisure Hall pending a successful lottery grant application or take-over by the community. If neither successful Bacup Leisure Hall to close by 31 December 2009.
- Renegotiate funding agreement, business plan and associated legal issues with the Rossendale Leisure Trust.

Grant funding required £537.4k for the year 2009/10 and £544k for 2010/11 and £3m borrowing.

**This option meets the parameters set out above and is recommended for consideration**

**Option E**

Reduce costs by targeting services or facilities which have a negative financial effect.

Action Required:

- Closure of one pool from Spring 2009
- Closure of Bacup Leisure Hall from Spring 2009
- Review Head office costs associated with one pool
- Take the opportunity of vacancy freezes (particularly at Ski Rossendale)
- Renegotiate funding agreement, business plan and associated legal issues with Rossendale Leisure Trust.

Grant funding required £500.7k for the year 2009/10 and £501k for 2010/11

**This option does not address the leisure infrastructure in the borough therefore does not meet the parameters set out above and is not recommended for consideration.**

**Option F**

Agree full grant of £719.8k

Agreeing the grant would equate to a 40% increase on the 2008/09 grant. This is at a time when Council resources are set to increase by only 1.8% to £11.7m. Current Council budget requirements (excluding any increase in leisure costs) indicate a deficit on available resources of £156k. The Council therefore requires further savings and efficiencies to those already contributed. With regard to its budget planning the Council has seen negative impacts on a number of areas as a result of the economic downturn (in particular: treasury management, property and recycling related incomes). In addition, further pressures will arise in the future from Concessionary travel, Housing Benefit subsidy changes and potential future Government grant settlements.



**This option does not meet the parameters set out above in terms of requiring no unsustainable or unaffordable increase in the overall level of grant funding and therefore is not recommended for consideration.**

### **Option G**

Grant Funding required £675.6k (2009/2010) and £3m borrowing.

Action required:

- New swimming pool at Haslingden Sports Centre – begin design brief and procurement project including seeking planning permission
- Close Haslingden Pool on completion of the new facility
- Reduce Staffing costs on completion of the new Haslingden Pool
- Create a Strategic Plan for Leisure within the Borough with agreed Objectives, Time Frames and Resources prior to 1st April 2009
- Keep Marl Pits Swimming Pool open whilst exploring options for future use
- Improvements to community leisure provision funded from all capital receipts received as a result of sale of Marl Pits to third party operator
- Closure of Bacup Leisure Hall by 31 December 2009 unless successful grant application or community use solution can be developed
- Agree Long term funding, business plan and associated legal issues with the Trust which eliminates current balance sheet deficit and places the Leisure Trust in a strong financial position in the Medium Term
- Take the opportunity of vacancy freezes (particularly at Ski Rossendale)

**This option does not meet the parameters set out above in terms of requiring no unsustainable or unaffordable increase in the overall level of grant funding and therefore is not recommended for consideration.**

5.8 It will be recommended that grant funding for 2009/10 is agreed for one year thus enabling further detailed discussion to be held with the Leisure Trust in relation to Ski Rossendale, Arts and Healthy Lifestyle provision and overhead costs. A further report will be presented in due course.

5.9 In order to address the estimated £400k deficit as at December 2008 the Council has a number of options as detailed in section 9.9.

## **6. Rossendale Leisure Trust**

6.1 It is recognized that the Trust has achieved success in many areas since its formation and many of the drivers for change are outside of the Trust's control. Both the Borough Council and the Trust have worked in partnership to identify and agree an affordable and sustainable leisure offer.

6.2 At its Board meeting on the 5<sup>th</sup> January, Rossendale Leisure Trust agreed to support option G as a first preference and Option D as a second preference.

- 6.3 A joint Council and Trust communication and engagement plan has been developed for users of the facilities, stakeholders and the staff involved. In addition information is being published via the Council's website on the proposals and is a mechanism by which the general public can access information.

## **COMMENTS FROM STATUTORY OFFICERS**

### **7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)**

- 7.1 The proposals have Human Resources implications. The Trust have requested further support to deal with the Human resources issues arising from the report.
- 7.2 Further the proposals may have equality implications for the communities of Rossendale. An initial equality impact assessment has been completed in order to identify any impact which may exist and those measures which can be taken to mitigate any negative consequences. Following the cabinet decision further detailed impact work will be undertaken on the preferred option including working with the potential groups/stakeholders.

### **8. MONITORING OFFICER**

- 8.1 The proposals have legal implications .The Council has written to the Trust to seek clarification on legal matters surrounding the options . A new funding agreement will be required to be agreed between the parties and we are discussing legal issues surrounding the assets affected.
- 8.2 Any decision by Cabinet and Full Council will be on a preferred option which officers will then work with the Trust to achieve in the hope that liquidation of the Trust can be avoided .

### **9. SECTION 151 OFFICER**

- 9.1 Assuming the building of a new pool takes at least 12 months to complete, the financial implications and therefore the grant cost for 2009/10 and 2010/11 arising from each of the options, based on the Trusts initial grant request less the impact of the various options are as follows:

<b>Options - Year 1</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£001</b>
<b>RLT Request</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>
<i>Savings scenarios:</i>							
HSP & MP (New Pool @ HLC)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BLH	0.0	64.5	19.2	19.2	64.5	0.0	19.2
HO Savings	0.0	12.0	12.0	12.0	12.0	0.0	0.0
Vacancey Freeze	0.0	25.0	25.0	25.0	25.0	0.0	25.0
Close MP	0.0	117.6	117.6	0.0	117.6	0.0	0.0
Close HSP	0.0	0.0	0.0	126.2	0.0	0.0	0.0
New Financing costs (for new pool)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reduction to 08/09 level	206.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cost to RBC</b>	<b>(513.0)</b>	<b>(500.7)</b>	<b>(546.0)</b>	<b>(537.4)</b>	<b>(500.7)</b>	<b>(719.8)</b>	<b>(675.6)</b>

<b>Options - Year 2</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>RLT Request</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>	<b>(719.8)</b>
<i>Savings scenarios:</i>							
HSP & MP (New Pool @ HLC)	0.0	280.0	280.0	280.0	0.0	0.0	280.0
BLH	0.0	64.5	64.5	64.5	64.5	0.0	64.5
HO Savings	0.0	0.0	0.0	0.0	12.0	0.0	0.0
Vacancy Freeze	0.0	25.0	25.0	25.0	25.0	0.0	25.0
Close MP	0.0	0.0	0.0	0.0	117.6	0.0	0.0
Close HSP	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Financing costs (for new pool)	0.0	(194.0)	(194.0)	(194.0)	0.0	0.0	(194.0)
Reduction to 08/09 level	206.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cost to RBC</b>	<b>(513.0)</b>	<b>(544.3)</b>	<b>(544.3)</b>	<b>(544.3)</b>	<b>(500.7)</b>	<b>(719.8)</b>	<b>(544.3)</b>

9.2 The Trust does not have the financial resources to fund any change costs associated with options B to G. The major costs associated with any facility closures will be that of property demolition and costs associated with the review of staffing levels - these are estimated and noted below. For reference employee termination costs associated with Option A in the event of liquidation are also noted below:

<b>Facility</b>	<b>Employee Change Costs £000</b>
BLH	32.1
MP / HSP (+ either New Pool or 1 existing)	136.9
Option A	297.1

*NB – some of the above staffing costs may be avoided if there is flexibility in the timing of closures – though this is unlikely for closure commencing 1<sup>st</sup> April 2009*

9.3 Cost associated with the potential demolition of Bacup Leisure Hall (BLH) and Haslingden Swimming Pool (HSP) are as follows:

<b>BLH</b>	<b>£000</b>
Demolition	25
Landscaping	3
<b>Total</b>	<b>28</b>

<b>HSP</b>	<b>£000</b>
Demolition	35
Landscaping	3
<b>Total</b>	<b>38</b>

9.4 The investment in a new pool adjacent to Haslingden Sports Centre (HSC) assumes an investment of £3m, repaid over 25yrs at a PWLB rate of 4.1%, equivalent to £194k pa. The most recent information regarding the cost of a new pool based on a new 25m x 6 lane (12.5m wide) x 0.9m – 1.8m deep, of deck level construction, together with the rest of the facilities, is based two tentative quotations:

- Quote A - £1.579m (plus VAT)
- Quote B - £2.3 to 2.5m (plus VAT)

However, the above is simply a pool with no additional facilities (i.e.: Sauna, infant pool, etc) hence the increase in cost assumptions to £3m.

9.5 None of the options noted above consider the implications and value to corporate priorities from “lifestyles”. This area can be broken down into the following functions:

	<b>£000's</b>
Sports Development	(32)
Arts	(38)
Healthy Lifestyles	7
<b>Total Cost</b>	<b>(63)</b>

9.6 Included in the Arts is a net cost of £7k being income less direct costs in relation to the annual Rossendale firework display and Rossendale weekend.

9.7 The following table summaries the change in the current revenue grant of £513k, in years 1 and 2 arising from the various options, excluding any inflationary pressure:

Options	A	B	C	D	E	F	G
	£000	£000	£000	£000	£000	£000	£001
(Increase)/Decrease in Grant							
Year 1	0.0	12.3	(33.0)	(24.4)	12.3	(206.8)	(162.6)
Year 2	0.0	(31.3)	(31.3)	(31.3)	12.3	(206.8)	(31.3)

9.8 Other options are available being combinations of the various elements of the options referred to above (A-G).

9.9 Paragraph 4.3 notes that the Trust is forecast to have an accumulated deficit of £400k as at December 2008. The Council has previously noted this deficit in its own annual accounts as a contingent liability. The Council has a number of options in this matter:

- *Continue to note the Trust's deficit as a contingent liability in the Council's accounts on the basis that the Trust is a separate legal entity and therefore responsible for its own liabilities, other than those the Council has guaranteed (see below)*
- *Create a new earmarked reserve by top-slicing current earmarked reserves to the value of the Trust's financial deficit*
- *Budget within the Council's core costs for the creation of a new earmarked reserve over a set time frame (possibly up to 10 years)*
- *Agree that any end of year budget surpluses (over and above those retained within directorates) are used to create a new earmarked provision*
- *A combination of the above options.*

9.10 Though the Trust is a separate legal entity under the Industrial and Provident Societies Act 1965, the Council still retains ultimate liability for the following matters in the event that the Trust has insufficient funds:

- £1.2m refurbishment of Haslingden Sports Centre, being a £14k per month payment over the next 15 years.
- Pension payments in relation to the three party (Rossendale BC, Lancashire CC and Rossendale Leisure Trust Ltd) Admissions Agreement.

9.11 The Trust currently has the following liabilities to the Council and are approximately equal to the net deficit within the Trust's balance sheet:

- £67k loan, originally incurred to acquire the Ski Lodge within the Rossendale Ski Site.
- £250k being payments made in advance by the Council for the 2009/10 grant in order to cover cash flow requirement

9.12 Options B, C, D and G assume that the Council will use its powers under Prudential Borrowing to finance a £3m loan from the Public Works Loan Board repayable over 25 years. This will be a loan that resides within the Council's

balance sheet and will no longer make the Council externally debt free. Alternatively methods of financing would be the generation of capital receipts equivalent to a £3m capital investment, though the current economic outlook would deem this unlikely from property based assets. In addition, in applying any capital receipts Council should also consider the opportunity cost foregone from alternative capital investment needs.

- 9.13 Members should be aware of the vulnerability of the Trust to further declines in the current contribution from Ski Rossendale. The report already highlights the need for a potential £10m capital investment into the facility – current profitability would not justify this level of capital investment. The site has recently suffered from outside competition and may find itself in further decline as a result of the current economic conditions; it is not inconceivable to see current budgeted profits disappearing in the medium term, putting further strain on any annual revenue grant to the Trust.
- 9.14 If the Trust do not surrender appropriate leases, the Council may have to serve notice on the Trust in order to regain the leisure facilities. In this event it is assumed that the grant for 2009/10 will remain as 2008/09.
- 9.15 The consequences of which, for the Trust, will be trading whilst insolvent should the trust continue to operate all facilities and yet not be able to find alternative funding. This event is likely to occur sometime during the summer months.
- 9.16 If the Board Members find that they are trading whilst insolvent and with no opportunities to rectify the situation they are duty bound to enter into voluntary liquidation. For the Council this will mean bringing the facilities back in house and then implementing the preferred option. The financial consequences of such a situation are:
- Additional trading losses incurred (Pools c £10k per month, BLH c. £5k per month)
  - Potential cost impact from Job Evaluation if it were deemed that Leisure should form part of this exercise.
  - Increased operating costs from Non- National domestic rates and VAT c. £50 - 70k
  - Potential cost savings though Council synergies (procurement, HR, finance)
  - TUPE would apply / pension agreement

## **10. CONCLUSION**

- 10.1 The Borough Council has supported the Leisure Trust over the past four years more recently demonstrated by backing the £1.2m Haslingden Sports Centre. This report represents a period of change but importantly is a real opportunity to develop and deliver a leisure approach which is sustainable and affordable.

## **11. RECOMMENDATION(S)**

- 11.1 Agree the parameters set out in paragraph 5.6



