



**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>Update on the grant of property leases and financial and management agreements to Northampton Leisure Trust (Unity Leisure)</b>
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**AGENDA STATUS:**                      **Public**

<b>Cabinet Meeting Date:</b>	15 <sup>th</sup> October 2018
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorates:</b>	Economy, Assets and Culture
<b>Accountable Cabinet Member:</b>	Councillor Tim Hadland
<b>Ward(s)</b>	All

### 1. Purpose

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To seek agreement of Cabinet:

- 1.1 To approve an amendment to a recommendation of the report to Cabinet of 14<sup>th</sup> March 2018, 'Grant of property leases and financial and management agreements to Northampton Leisure Trust (Unity Leisure)', so that the leases that are the subject of that report do not include responsibility for insurance, but instead initial responsibility for insurance remains with the council.

### 2. Recommendations

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- 2.1 Cabinet agrees to replace recommendation 2.1 and 2.2 of the report considered and agreed by Cabinet at its meeting on 14<sup>th</sup> March 2018 (Appendix 1) with the following new recommendations:

- 2.2 Cabinet agrees three new Full Repairing leases be granted under the Landlord and Tenant Act 1954 to Unity Leisure for the three leisure centres owned by Northampton Borough Council (Lings Forum, Danes Camp, Mounts Baths), for a period of 30 years. The combined rent will be £51,000 per year , and will be in accordance with the terms and conditions set out in this report and the Cabinet report dated 14 March 2018 (appendix 1), which reflects a discount from market rent of £22,500 per annum.
- 2.3 Authority be delegated to the Head of Economy, Assets and Culture to complete the above leases in consultation with the Chief Finance Officer and the Cabinet Member for Regeneration and Enterprise, subject to the completion of necessary due diligence checks, ensuring that the Council is not exposed to unacceptable legal or financial risk.
- 2.4 Cabinet agrees that for the first 5 years of the leases, the responsibility for insuring the properties will remain with the Council
- 2.5 Cabinet agrees that a review be carried out in Year 4 of the leases to determine whether or not the Council will continue to carry the cost of insuring the properties after year 5.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 Unity Leisure trading as Northampton Leisure Trust (NLT) was established by the Council in April 2011 to operate the three Council owned leisure centres, Lings Forum, Danes Camp and Mounts Baths, and to deliver sports development, health and play services.
- 3.1.2 On 14<sup>th</sup> March 2018 Cabinet agreed, inter alia, to enter into three new Full Repairing and Insuring Leases, one for each of the three leisure centres. Those leases are yet to be completed. After further discussion with NLT, it is now proposed that the Council retains responsibility for the insurance of the three leisure centres, initially for the first 5 years, as NLT have raised strong concerns about value for money and affordability. A review of affordability will be carried out at the end of year 4. It is proposed that the new recommendations 2.1 replaces recommendation 2.1 of the report considered and approved by Cabinet on 14 March 2018.
- 3.1.3 Apart from proposed changes to recommendations 2.1 and 2.2 of the recommendations approved by Cabinet on 14 March 2018, all other recommendations approved by Cabinet on that date remain extant.
- 3.1.4 The detail is explained more fully below in paragraph 4.2

## **3.2 Issues**

3.2.1 There are no issues arising from the recommendation of this report.

## **3.3 Choices (Options)**

3.3.1 If Cabinet choose not to agree to the recommendation of this report it will be necessary to resume negotiations with NLT, or to continue with the arrangements that are currently in place.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The recommendations of this report are within policy and have no policy implications.

### **4.2 Resources and Risk**

4.2.1 The Cabinet report of 14<sup>th</sup> March 2018 proposed to grant NLT a Full Repairing and Insuring lease (FRI) for a 30 year term on each property at a combined rent of £51,000, which represented an undervalue of £22,500 which was agreed in recognition of the social impact of NLT on the communities of Northampton, it being determined that a rent of £51,000 still represented value for money for the Council.

4.2.2 However, after further discussion it is now proposed that the leases are granted as Full Repairing, but for the first 5 years do not include responsibility for insurance, responsibility for all building insurance to be retained by the Council at a cost to the Council of £14,000 per year. £14,000 for the purpose of building insurance for the three leisure centres remains in the Council's current budget.

4.2.3 Assuming the recommendation of this report is agreed, the £14,000 saving that would have been achieved, will now not be made.

### **4.3 Legal**

4.3.1 External legal advice was sought as to whether there were any Procurement Law, Section 123 (Local Government Act 1972) or State Aid implications arising from recommendations of 14<sup>th</sup> March report. Lawyers advised that the report's recommendations were not without risk for the Council, but that the risk was low.

## **4.4 Equality and Health**

4.4.1 Services to the public will not be directly impacted as a result of the recommendation of this report. There are therefore no direct equality or health implications.

## **4.5 Consultees (Internal and External)**

4.5.1 Consultation has taken place with NLT in developing the recommendation of this report.

## **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 This report will contribute to the priority corporate outcomes of

- Enhancing leisure activities for local people and encouraging participation and
- Delivering quality modern services

## **5. Background Papers**

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Operating Agreement between NLT and NBC

General Consent Order (06/03)

Valuation from Underwoods

Advice from Browne Jacobson Solicitors (Confidential & Legally Privileged)

Social Value Study from University of Northampton Institute for Social innovation and Impact

**Contact:** Rick O'Farrell, Interim Head of Economy, Assets and Culture