



**PORTFOLIO AREAS: HEALTH AND WELLBEING
FINANCE AND RESOURCES**

Date of Meeting: 24 October 2002

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

Title: LEISURETIME EXTERNALISATION
CAPITAL INVESTMENT OPTION & REVENUE SAVINGS
Report of: THE CITY TREASURER
Report reference: Financial Memo 2002/03 No 70

Summary: This report clarifies the capital investment option to be approved & the estimated recurring revenue savings resulting from the transfer.

Recommendations:

1. The Council approve the capital investment option as set out and approved by the Executive 17 October 2002:
£1,150,000 to be completed between August 2003 to 31 December 2005.
2. Council note the estimated savings of £48k for 2002/03 subject to the services transferring on the 1 December 2002.
3. Council note the estimated annual recurring revenue savings of £248k.
4. Note the adjustment to the payment to CLL versus the bid submitted.

Contact Officer: Shelagh McGregor

Ext: 7290

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. BACKGROUND INFORMATION

On 2 September 2002 the Executive approved:

- ◆ that the option of capital investment funded by the City Council be approved
- ◆ that the Health and Well being Portfolio Holder and Director of Leisure and Community Development be requested to consider the options for new build and refurbishment in respect of capital works and submit a report with recommendations to a future meeting of the Executive
- ◆ in principal to earmark up to £1,406,980 of capital receipts and transfer of funds from reserves to the Large Project Fund to facilitate funding of the works
- ◆ that the City Treasurer report back on the anticipated costs and savings compared to the existing budget.

2. CAPITAL WORKS

On the 17 October 2002 the Executive approved the revised class 1 estimates for the Capital Works and the mix of new and refurbished work as set out in Appendix 4 to Report LCD 30/02. The total estimated budget approved is £1,150,000. The works are planned to be completed between August 2003 to the end of December 2005. It is stated in the report that due to the period of the estimate adjustments may be needed for actual costs applying at the relevant starting date. It was also stated that more accurate estimates will be provided to the Executive prior to the commencement of each element of the process.

3. SAVINGS

3.1 Client Budget Requirement

The effect the new arrangement will have on the Client budget required in the future was analysed and this detail is provided at Appendix 1.

The table below summarises the overall estimated position ie savings of £48k in 2002/03 and £248k 2003/04 subject to the transfer taking place 1 December 2002. This saving does not take account of the cost of capital (c. £56k for £1.2m) which will be reflected in the revised Treasury Management forecast.

The table below also sets out the adjustment required due to the NNDR mandatory and discretionary Rate Relief that is likely to apply.

The council has paid the full year rates and 4 months relief has been calculated and the CLL bid and Client budget adjusted accordingly.

Table 1: Estimated Savings 2002/03 and 2003/04

	Revised 2002/03	Estimate 2003/04
Existing Client budget	£1,671,590	£1,671,590
Estimated Revised Client budget	<u>£1,670,637</u>	<u>£1,393,118</u>
Saving	£ 953	£ 278,472
NNDR Refund due	£ 57,124	
Less Discretionary Rate Relief Budget impact	<u>£ 10,081</u>	<u>£ 30,242</u>
Estimated Savings	<u>£ 47,996</u>	<u>£ 248,230</u>

3.2 Savings over the life of the contract.

Different fees apply to the different elements of the contract during the 15 year period the bid was submitted for.

That will result in slightly different savings applying each year but it does not represent a significant change to the c.£248k saving estimated in 2003/04.

4. PAYMENTS DUE TO CALRLISLE LEISURE LTD AS AGAINST BID SUBMITTED.

4.1 A reconciliation of the Bid Carlisle Leisure submitted as against the adjusted estimated payment now required is provided at Appendix 2.

Adjustments both to the 2002/03 and 2003/04 fee (all incorporated to Appendix 1) are necessary to for inflation, the pay award, NNDR, the concert series and maintenance of St. James Park.

4.2 The total payment to CLL is estimated to be £219,022 in 2002/03 (part year) and £635,598 in 2003/04 (full year) presuming the date of transfer is the 1 December 2002. These figures will change should that date not apply.

5. STAFFING/RESOURCES COMMENTS

Not applicable.

6. CITY TREASURER'S COMMENTS

Contained within the report.

7. LEGAL COMMENTS

Verbal.

8. CORPORATE COMMENTS

Not applicable.

9. RISK MANAGEMENT ASSESSMENT

The Director of Leisure and Community Development is maintaining a Risk Assessment Document.

10. EQUALITY ISSUES

Not applicable.

11. ENVIRONMENTAL IMPLICATIONS

Not applicable.

12. CRIME AND DISORDER IMPLICATIONS

Not applicable.

13. RECOMMENDATIONS

13.1 The Council approve the capital investment option as set out and approved by the Executive 17 October 2002:
£1,150,000 to be completed between August 2003 to 31 December 2005.

13.2 Council note the estimated savings of £48k for 2002/03 subject to the services transferring on the 1 December 2002.

13.3 Council note the estimated annual recurring revenue savings of £248k.

13.4 Note the adjustment to the payment to CLL versus the bid submitted.

14. REASONS FOR RECOMMENDATIONS

To progress the Leisuretime externalisation process.

Comparison of Leisuretime Preferred Revenue Bid versus the existing Contractor and Client Related Re

		Yr 1 - 1/11/02 to 31/10/03			Yr 2 - 1/11/03 to	
		2002/03 Prices Revised Budget £	Full Year Bid CLL Fee £	Revenue Saving £	2003/04 Budget £	Full Year Bid CLL Fee £
Sands						
	Payment to Contractor (incs NNDR) LTIME	567,420	359,360	-208,060	0	
	Payment to Contractor CLL 4 months		128,101	384,303	354,603	354,603
	20%NNDR inc in bid		-7,700	-23,100	-23,100	-23,100
	Inflation 1 Dec. 2003-31/3/04 - 03/4 part year effect in budget		N/A		2,763	2,763
	Concert Series not inc. in bid		11,000	11,000	33,830	33,830
	Annual inflation element add to Contract Fee from 2004/5		N/A		N/A	
	Total fee to CLL (4 months 02/03)		131,401	131,401	368,096	
1	Equipment Fund Contribution	61,330	55,740	-5,590	0	
	Cost of Collection (DSO Charge)	3,180	1,860	-1,320	0	
	Asset Management Capital Charge	414,930	403,850	-11,080	396,460	
	Contract Supervision	12,960	13,160	200	14,000	
2	Design Services	6,960	6,960	0	6,960	
3	Premises & Engineering Insurance	0	3,860	3,860	3,960	
4	Programmed R&M	0	20,500	20,500	35,000	
4	Reactive R&M	0	9,970	9,970	5,790	
Totals Per Detailed Budget Book Pg LCD 115		1,066,780				
Future Budget Requirement for comparison			1,006,661		830,266	
CLL Fee Full year			394,203		368,096	
Saving/Deficit(-)				-60,119		
				-60,119		
Pools						
	Payment to Contractor LTIME	41,810	87,451	45,641	0	
	Payment to Contractor CLL 4 months		27,163	81,488	83,488	83,488
	Variation Order Payment	23,930	0	-23,930	0	
	20% NNDR inc in CLL Bid		-5,756	-5,756	-17,268	-17,268
	Inflation 1 Dec. 2003-31/3/04 - 03/4 part year effect in budget		N/A		552	552
	Annual inflation element add to Contract Fee from 2004/5		N/A		N/A	
	Payment to Contractor CLL (4 months 02/03)		21,407	-2,523	66,772	66,772
	NNDR	86,340	81,379	-4,961	0	
1	Equipment Fund Contribution	15,860	20,190	4,330	0	
	Cost of Collection	2,750	1,610	-1,140	0	
	Equipment Lease Charge	710	710	0	0	
	Premises Insurance Buildings	4,670	6,670	2,000	6,840	
3	Insurance - Engineering	0	1,220	1,220	1,250	
	Asset Management Capital Charge	142,680	136,760	-5,920	132,820	
	Contract Supervision	12,960	13,160	200	13,990	
2	Design Services	7,500	7,500	0	7,500	
4	Programmed R&M	23,000	34,600	11,600	33,000	
4	Reactive R&M	14,270	15,270	1,000	5,570	
Totals Per Detailed Budget Book Pg LCD 116		376,480				
Future Budget Requirement for comparison			427,927		267,742	
Leisuretime Bid			64,220		66,772	
Saving/Deficit(-)				51,447		
				51,447		

		Yr 1 - 1/11/02 to 31/10/03		Yr 2 - 1/11/03 to	
<u>Outdoor Recreation</u>					
Total Payment to Contractor LTIME	97,310	61,074	-36,236	0	
Variation Order Payment	5,310	1,120	-4,190	0	
<u>Payment to Contractor CLL 4 months</u>					
SH		1,097	3,290	1,097	3,290
SM		38,849	116,547	38,849	116,547
S		4,763	14,290	4,763	14,290
BP		6,267	18,800	6,267	18,800
Total Outdoor Contract Fee per Bid		50,976	152,927	50,976	152,927
20% NNDR inc in CLL bid 4 months		-613	-1,840	-613	-1,840
St James Park not inc. in bid inc 4 months infl 03/04	24,320	11,090	33,270	-13,230	34,100
Inflation 1 Dec. 2003-31/3/04 - 03/4 part year effect in budget		N/A		1,259	1,259
Annual inflation element add to Contract Fee from 2004/5		N/A		N/A	
Total Fee to CLL (02/03 3months)		61,452	184,357	37,132	186,446
NNDR Client	10,310	11,420	1,110	0	
1 Equipment Fund Contribution	6,800	9,510	2,710	0	
Cost of Collection	5,330	3,110	-2,220	0	
3 Premises & Engineering Insurance	0	660	660	680	
Asset Management Capital Charge	32,760	34,260	1,500	34,260	
Contract Supervision	12,950	13,150	200	14,000	
5 Grounds Supervision	6,870	5,370	-1,500	5,620	
2 Design Services	6,740	6,740	0	6,740	
4 Programmed R&M	10,250	14,040	3,790	24,860	
4 Reactive R&M	9,380	9,380	0	8,220	
Totals Per Detailed Budget Book Pg LCD 118+??	228,330				
Future Budget Requirement for comparison		231,287		280,826	
Leisuretime Bid			184,357		186,446
Saving/Deficit(-)			2,957		
		0	2,957		
Totals Per Budget Book	1,671,590				
Future Budget Requirement for comparison		1,665,875		1,378,833	
Leisuretime Adj Bid			642,780		621,313
20 %NNDR inc in Bid			42,208		42,208
Leisuretime Bid			618,718		595,591
Savings as against existing budget			-5,715		
Estimated Savings			-5,715		
Estimated Savines			-5,715		

Revised Estimate 2002/03 4/12s payment to CLL - £642780/12*4 214,260

This to be added to the revised budgets client side estimates

	Pay Award		Total	Pay Award		Total
Sands	131,401	2,643	134,044	368,096	7,930	376,026
Pool	21,407	1,178	22,585	66,772	3,534	70,306
Outdoor Rec	61,452	940	62,393	186,446	2,821	189,267
	214,260	4,762	219,022	621,313	14,285	635,598

Notes:

- 1 Equipment Fund Contribution - saving as all now frozen.
- 2 Design Services -Revised same as Original
- 3 Premised related insurance premiums are currently part of the payment to Contractor - will be Client Req. in future
- 4 Repairs & Maintenance Budget Requirement is dependent on the work the Council will continue to carry out on Council Assets. At the Sands it is currently part of the payment to Contractor budget. No saving inc. above - GN assumes revised will remain the same as original.
- 5 Grounds Supervision Budget Req. - Revised as per Original.
- 6 Adjustment to the contract price and existing budget nec. re higher than estimated pay award
- 7 The costs of any Capital Investment is not included above.
- 8 NNDR Fee incs 20% - if Disc Relief approved council will pay 75% of the 20% from PMasons budgets

Comparison of Leisuretime Preferred Revenue Bid versusvenue Budget 20

		31/10/04
	2002/03 Budget £	
<u>Sands</u>		
	Payment to Contractor (incs NNDR) LTIME	567,420
	Payment to Contractor CLL 4 months	
	20%NNDR inc in bid	
	Inflation 1 Dec. 2003-31/3/04 - 03/4 part year effect in budget	
	Concert Series not inc. in bid	
	Annual inflation element add to Contract Fee from 2004/5	
	Total fee to CLL (4 months 02/03)	
1	Equipment Fund Contribution	61,330
	Cost of Collection (DSO Charge)	3,180
	Asset Management Capital Charge	414,930
	Contract Supervision	12,960
2	Design Services	6,960
3	Premises & Engineering Insurance	0
4	Programmed R&M	0
4	Reactive R&M	0
Totals Per Detailed Budget Book Pg LCD 115		1,066,780
Future Budget Requirement for comparison		
CLL Fee Full year		
Saving/Deficit(-)		0
<u>Pools</u>		
	Payment to Contractor LTIME	41,810
	Payment to Contractor CLL 4 months	
	Variation Order Payment	23,930
	20% NNDR inc in CLL Bid	
	Inflation 1 Dec. 2003-31/3/04 - 03/4 part year effect in budget	
	Annual inflation element add to Contract Fee from 2004/5	
	Payment to Contractor CLL (4 months 02/03)	
	NNDR	86,340
1	Equipment Fund Contribution	15,860
	Cost of Collection	2,750
	Equipment Lease Charge	710
	Premises Insurance Buildings	4,670
3	Insurance - Engineering	0
	Asset Management Capital Charge	142,680
	Contract Supervision	12,960
2	Design Services	7,500
4	Programmed R&M	23,000
4	Reactive R&M	14,270
Totals Per Detailed Budget Book Pg LCD 116		376,480
Future Budget Requirement for comparison		
Leisuretime Bid		
Saving/Deficit(-)		

		31/10/04
<u>Outdoor Recreation</u>		
Total Payment to Contractor LTIME	97,310	
Variation Order Payment	5,310	
<u>Payment to Contractor CLL 4 months</u>		
SH		
SM		
S		
BP		
Total Outdoor Contract Fee per Bid		
20% NNDR inc in CLL bid 4 months		
St James Park not inc. in bid inc 4 months infl 03/04	24,320	
Inflation 1 Dec. 2003-31/3/04 - 03/4 part year effect in budget		
Annual inflation element add to Contract Fee from 2004/5		
Total Fee to CLL (02/03 3months)		
NNDR Client	10,310	
1 Equipment Fund Contribution	6,800	
Cost of Collection	5,330	
3 Premises & Engineering Insurance	0	
Asset Management Capital Charge	32,760	
Contract Supervision	12,950	
5 Grounds Supervision	6,870	
2 Design Services	6,740	
4 Programmed R&M	10,250	
4 Reactive R&M	9,380	
Totals Per Detailed Budget Book Pg LCD 118+??	228,330	
Future Budget Requirement for comparison		
Leisuretime Bid		
Saving/Deficit(-)		
Totals Per Budget Book		1,671,590
Future Budget Requirement for comparison		
Leisuretime Adj Bid		
20 %NNDR inc in Bid		
Leisuretime Bid		
Savings as against existing budget		
Estimated Savings		-292,757
Estimated Savings		-292,757

Revised Estimate 2002/03 4/12s payment to CLL - £642780/12*4

This to be added to the revised budgets client side estimate

		Pay Award
Sands	131,401	2,643
Pool	21,407	1,178
Outdoor Rec	61,452	940
	214,260	4,762

Notes:

- 1 Equipment Fund Contribution - saving as all now frozen.
- 2 Design Services -Revised same as Original
- 3 Premised related insurance premiums are currently part of the paymet
- 4 Repairs & Maintenance Budget Requirement is dependent on the wor to carry out on Council Assets. At the Sands it is currently part of th
- No saving inc. above - GN assumes revised will remain the same as o
- 5 Grounds Supervision Budget Req. - Revised as per Original.
- 6 Adjustment to the contract price and existing budget nec. re higher th
- 7 The costs of any Capital Investment is not included above.
- 8 NNDR Fee incs 20% - if Disc Relief approved council will pay 75% c

Savings

	2002/03	2003/04
	£	£
Existing Client Budget	1,671,590	1,671,590
2002/03 Revised Client Estimate	1,665,875	
2003/04 Client Budget		1,378,833
Estimated Saving	5,715	292,757
Pay Award Adj.	-4,762	-14,285
Revised Client Estimate	1,670,637	1,393,118
Sub Total	953	278,472
NNDR paid: to claim back		
Sands	108,818	
Pools	81,379	
SH	8,882	
SW	2,535	
	201,614	
Mand Relief 80%	161,291	
@ 4 months to be claimed	53,764	
Disc. Relief 20%	40,323	
75% of 20% cost to Council	30,242	-30,242
@ 4 months cost	-10,081	
25% of 20% saving to auth.	10,081	
@ 4 months to be claimed	3,360	
Savings	47,997	248,229

Reconciliation of amount calculated as now due to the CLL Bid Submitted

	Full Year 2002/03 Bid £	Adj to Fee/Bid £	Full Year Adj Fee/Bid £	4 month Fee £	2003/04 Bid £	2003/04 Adj to Fee/Bid £	Full Year Adj Fee/Bid £
Sands	384,303				354,603		
Concert Series		33,000				33,830	
NNDR Adj.		-23,100				-23,100	
4 months inflation on Fee						2,763	
Sub Total Sands	384,303	9,900	394,203	131,401	354,603	13,493	368,096
Pools	81,488				83,488		
NNDR Adj.		-17,268				-17,268	
4 months inflation on Fee						552	
Sub Total Pools	81,488	-17,268	64,220	21,407	83,488	-16,716	66,772
SH	3,290				3,290		
SM	116,547				116,547		
S	14,290				14,290		
BP	18,800				18,800		
Sub total OR	152,927				152,927	0	
NNDR Adj.		-1,840				-1,840	
St. James Park		33,270				34,100	
4 months inflation on Fee						1,259	
Sub total OR	152,927	31,430	184,357	61,452	152,927	33,519	186,446
Total Original Bid 2002/03	618,718						
02/03 Adj.		24,062					
2002/03 Annual Adj. Bid/Fee			642,780				
4 month Pay Award Adj.				4,762			
2002/03 4 month Fee				219,022			
Total Original Bid 2003/04					591,018		
03/04 Adj.						30,295	
2003/04 8 month Pay Award Adj.							14,285
2003/04 Adj. Fee							635,598
across column sum check total							635,598
Total 4 months infl. Adj.					4,573		
03/04 Bid Adj. for inflation					595,591		