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MERTHYR TUDFUL
MERTHYR TYDFIL
County Borough Council

FULL COUNCIL REPORT

Date Written	9 th March 2017
Report Author	Steve Jones
Service Area	Finance
Exempt/Non Exempt	Non Exempt
Committee Date	22 nd March 2017

To: Mayor, Ladies and Gentlemen

Merthyr Tydfil Leisure Trust – Unforeseen Liabilities

1.0 SUMMARY OF THE REPORT

- 1.1 The Council's leisure and cultural services were transferred to the Merthyr Tydfil Leisure Trust on 1st April 2015, with a Leisure Trust Management Fee of £2.016 million for 2015/16.
- 1.2 Unforeseen financial liabilities totalling £110,000 have been identified in respect of the Combined Heat and Power installation at Merthyr Tydfil Leisure Centre (£68,000) together with loss of income at the Pen Y Dre 3G's Sports Facilities (£30,000) and Cyfarthfa Artificial Turf Pitch (£12,000).
- 1.3 It is proposed that the 'one-off' payment to the Merthyr Tydfil Leisure Trust for £110,000 be financed through available earmarked reserves.

2.0 RECOMMENDATIONS that

- 2.1 A 'one-off' payment of £110,000 to Merthyr Tydfil Leisure Trust in respect of unforeseen financial liabilities be approved.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 Council of 28th January 2015 approved the final transfer of Merthyr Tydfil County Borough Council's (the Council) Leisure and Cultural Services to the Merthyr Tydfil Leisure Trust (the Leisure Trust) effective from 1st April 2015.
- 3.2 The final transfer document agreed the Management Fee to be paid to the Leisure Trust by the Council for the operational running costs of the County Borough's leisure and cultural facilities and was based on current operating expenditure within the Council's Medium Term Financial Plan.
- 3.3 The Leisure Trust's management fee for 2015/16, excluding Service Level Agreements with the Council, was £2.016 million. Councils of 23rd March 2016 and 2nd March 2017 subsequently approved management fee reductions of 0.73% and 5% respectively for the 2016/17 and 2017/18 financial years.

4.0 UNFORESEEN LIABILITIES

- 4.1 Throughout the 2016/17 financial year senior officers from both the Council and Leisure Trust have been in discussions concerning a number of unforeseen liabilities encountered by the Leisure Trust during its first year of operation in 2015/16.
- 4.2 A number of the Leisure Trust's submissions were mutually agreed as being incorrectly defined as unforeseen liabilities and consequently withdrawn. The remaining submissions for £110,000 were supported and are detailed as follows:
 - Merthyr Tydfil Leisure Centre – this relates to a reduction of £68,000 in the 2015/16 management fee resulting from anticipated energy reductions arising from the proposed installation of a Combined Heat and Power (CHP) Unit at Merthyr Tydfil Leisure Centre. Unfortunately a delay in the installation of the CHP Unit coupled with an over-estimation of anticipated energy savings, resulted in the Leisure Trust with an unforeseen financial liability of £68,000.
 - Pen Y Dre 3G's Sports Facilities – the 2015/16 management fee included an income budget of £30,000 being Pen Y Dre High School's continued contribution to the community use running costs of the sports facility. During 2015/16 Pen Y Dre High School withdrew this financial support leaving the Leisure Trust with an unforeseen financial liability of £30,000.
 - Cyfarthfa Artificial Turf Pitch (ATP) – the 2015/16 management fee included an income budget of £12,000 being Cyfarthfa High School's continued contribution to the community use running costs of the artificial turf pitch. During 2015/16 Cyfarthfa High School withdrew this financial support leaving the Leisure Trust with an unforeseen financial liability of £12,000.
- 4.3 It is proposed that a 'one-off' payment for total unforeseen liabilities of £110,000 be made to the Leisure Trust.

5.0 FINANCIAL IMPLICATION(S)

5.1 The total 'one-off' payment for unforeseen financial liabilities totals £110,000 and is to be financed through available earmarked reserves.

6.0 SINGLE INTEGRATED PLAN AND SUSTAINABILITY IMPACT SUMMARY

6.1 The Single Integrated Plan and Sustainability Impact Assessment has been completed and the proposals positively impact on the Financial Sustainability of Public Services.

7.0 EQUALITY IMPACT ASSESSMENT

7.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has been found that a full assessment is not required at this time. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

GARETH CHAPMAN
CHIEF EXECUTIVE

COUNCILLOR PHIL WILLIAMS
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Leisure Trust Services and Finance Management Agreement	1 st April 2015	Finance
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.