

LEISURE (PFI) BOARD MEETING held at 10.00 am on 24 APRIL 2001 at COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN

Present: Councillor A R Row – Chairman.
Councillors R A E Clifford and R J Copping.

Officers in attendance: Mrs E Forbes, Mrs L Bunting, Ms K Chapman,
J B Dickson, Mrs S McLagan and Mrs J Postings.

Also present: Michael Ware – Mouchel.

PFI 75 APOLOGIES

An apology for absence was received from Councillor A J Ketteridge.

PFI 76 MINUTES

The Minutes of the meeting of the Leisure (PFI) Board held on 3 April 2001 were received, confirmed and signed by the Chairman as a correct record.

PFI 77 BUSINESS ARISING

(i) Minute PFI 69 – (ii) PFI Forum

It was decided that the PFI Forum, due to be held on 7 June, would be cancelled as the County Council elections were to be held on that day. The Project Manager said that another date would be determined, possibly in late June.

PFI 78 PROGRESS OF NEGOTIATIONS WITH LINTEUM

Michael Ware gave a brief summary of recent negotiations with Linteum.

A report on the affordability of the Leisure PFI Scheme had previously been circulated to Members of the Board and officers. The Project Manager went through the report to clarify the situation.

The report advised the Leisure PFI Board to make a recommendation to the Policy and Resources Committee that the financial contributions made by the Council to the Scheme be increased to overcome an affordability gap. It also advised the Leisure PFI Board to recommend to the Policy and Resources Committee that the Industrial and Provident Society, which would be responsible for the provision of the non-profit making facilities, be given Discretionary Rate Relief, subject to the Council's application procedures being met.

In August 2000 Linteum Leisure Ltd had been appointed as Preferred Bidder for the Leisure PFI Project. They had provided a financial model which

showed that the Unitary Payment required would be £618,000 pa with 66.6% of this being inflated on a yearly basis and the remaining 33.3% being fixed over the period of the contract. The contract length proposed was 30 years. The Council's Financial Advisers (Mouchel) had analysed the financial model and concluded that Linteum Leisure Ltd's proposals would be affordable to the Council if the PFI Credits from the Government were increased from £4.7 to £5.6 million. A request for such an increase was made to the Department of Environment Transport and the Regions (DETR) in June 2000. This increase was agreed by DETR on 7 November 2000. It was extremely unlikely that any further request for additional credits would be granted by the DETR.

Linteum Leisure Ltd had been the only bidder that showed that it could provide all the facilities as specified in the Invitation to Negotiate within the Council's affordability. The other bidders had required between £13 million and £31 million additional funding over the period of the contract to provide the same level of facilities.

The Bank of Scotland was acting as the funder for the project and was a member of the Linteum Leisure Ltd Consortium. The Bank would not undertake any detailed work on the project until the Council received confirmation that the Government would increase the PFI Credits to £5.6 million.

It was noted that no allowance had been made in the affordability calculations for the cost of leasing the land from the Schools which amounted to £50,000 pa. However the school governors had a responsibility to receive value for money from their land and it had been made clear that they would require the Council to pay market value.

The report went on to list several options to the Board which were discussed at length.

In conclusion it was reported that the Council would need to increase the monetary contributions if it wished to provide two new leisure centres together with a refurbished Lord Butler Fitness and Leisure Centre. Additional contributions were required to meet the land lease payments to the Schools and the Unitary Charge required by the Preferred Bidder. Failure to achieve financial and contractual close by 30 June 2002 could result in the Council losing the PFI credits from the DETR, which were worth £11 million over the term of contract.

If it was decided by the Council that it would not be possible to increase contributions, negotiations with the original bidders for the scheme could be reopened but these bids had previously indicated that significantly reduced facilities only would be provided. Furthermore, the DETR might not be prepared to provide PFI Credits or reduce the amount which was available because of the reduction in facilities.

The Board discussed the recommendations in the report in detail. It had been hoped to agree the recommendations in the report, in principle, at this meeting. The Chief Executive said that it was an extremely complex topic and a report incorporating all the facts should be put to the Policy and Resources

Committee as soon as possible in order that Members could obtain agreement in principle for an increase in Council contributions over the 30 year contract period.

PFI 79 **DATE OF NEXT MEETING**

The date of the next meeting is in the Committee Room at 10.00 am on Tuesday, 1 May 2001.

The meeting ended at 12.15 pm.