

Name of Committee:	Cabinet		
Committee Date:	6 th March 2024		
Report Title:	Havant and Waterlooville Leisure Centres – Lease and Partnership Agreement Variations		
Responsible Officer:	Chris Riggott - Interim Executive Head of Commercial		
Cabinet Lead:	Cllr Liz Fairhurst – Cabinet Member for Coastal and Property		
Status:	Part-Exempt		
Urgent Decision:	Yes	Key Decision:	No
Appendices:	Appendix 1: Havant Leisure Centre lease Appendix 2: Partnering Agreement Appendix 3: Financial Information and Risks (Exempt) Appendix 4: Heads of Terms & Summary of Benefits (Exempt) Appendix 5: Partnering Agreement Updates (Exempt)		
Background Papers:	N/A		
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Report Number:	HBC/91/2024		

Corporate Priorities:

Wellbeing – Working closely with our partners to improve the leisure offering at Havant Leisure Centre and Waterlooville Leisure Centre.

Growth - Developing a regeneration plan for Havant Plaza and civic centre to make best use of the surrounding land.

Improving the leisure offering at Havant Leisure Centre and Waterlooville Leisure Centre is a corporate priority. This will be enabled by updating the lease and partnering agreements in place with Horizon Leisure Trust (HLT), our leisure partner and a Registered Charity, to reflect the shared approach in developing an effective active wellbeing service for the health and wellbeing of residents within the Borough.

Executive Summary:

Whilst significant improvements have been made to the leisure offer within the Borough, the existing contractual relationship with HLT requires updating and modernising as we transition away from traditional leisure provision to an active wellbeing service that is financially sustainable for the council and the provider.

This coincides with the council's intention to make a substantial capital investment at Waterloo Leisure Centre, that will require various consents and variations to the lease to enable the works to go ahead.

The way forward, provisionally agreed with HLT, is to update the partnership agreement via the change mechanism and to make the required variations to both leases.

Recommendations:

1. Cabinet agrees to the revision of the lease agreements based on the terms outlined in the report at Havant Leisure Centre and Waterloo Leisure Centre.
2. Cabinet delegates authority to the Chief Executive, in consultation with S151 Officer, to undertake all due diligence, negotiate and finalise the terms and execute all legal agreements on behalf of the Council.

1.0 Introduction

- 1.1 Horizon Leisure Trust (HLT) have managed both Havant and Waterlooville leisure centres since 1997 under a partnering agreement and two separate leases.
- 1.2 The Trust conducts its management and service delivery having regard to the agreed 'philosophy of use' between the council and HLT.
- 1.3 Both parties acknowledge and appreciate that variations and updates are required to ensure the long-term sustainability and financial viability of leisure and wellbeing provision in the Borough.
- 1.4 The relationship between the parties is fundamental to the council delivering and discharging its duties and responsibilities.

2.0 Background

- 2.1 The existing partnering agreement and leases are outdated, reflect the thinking at the time and require modernising and updating so that they are fit for purpose and align with the joint objectives for leisure and wellbeing provision in the Borough.
- 2.2 Both leisure centre leases contain a shared responsibility for repairs and maintenance, though the lines of responsibility are blurred and the terms are unduly onerous on the council. These need to be updated to reflect common practice.
- 2.3 The existing partnering agreement is built on a philosophy of use. It is proposed that this is updated to provide a modern, transparent, and shared approach between the council and HLT in developing an effective active wellbeing service. This aims to meet wider strategic objectives and transition away from traditional leisure services.
- 2.4 The gain share element within the partnering agreement is also to be updated, to remove ambiguity and associated risks, provide open and transparency of reporting and greater clarity on the distribution of any surplus funds to ensure they are apportioned fairly and reasonably.
- 2.5 The council needs to consider the proposed delivery of regeneration initiatives at Havant in respect of the existing provisions within the Havant Leisure Centre lease. The potential costs relating to this are contained within Appendix 3 (exempt from publication).

- 2.6 The council is about to make a substantial contribution of £2.7m towards improvements at Waterlooville Leisure Centre through ringfenced s106 and other contributions. The improvements will require various changes and consents under the existing lease agreement in order for works to proceed, which provides an opportunity to review the contractual and partnering arrangements with HLT to reflect our mutual objectives and the interest of both parties.
- 2.7 Winchester City Council have also approved £200,000 CIL allocation towards the improvements and are keen to see progress.
- 2.8 Complicated and protracted negotiations have taken place over many years prior to reaching provisional agreement for the proposed changes to the lease and partnering agreements.
- 2.9 The draft heads of terms of terms relating to the proposed lease agreement changes are attached at Appendix 4 (exempt from publication).
- 2.10 The proposed partnering agreement updates are set out at Appendix 5 (exempt from publication) and are subject to final agreement.

3.0 Options

- 3.1 Options are set out in detail at Appendix 3 (exempt from publication).

Option 1: Do nothing

- 3.2 The existing agreements would continue until 2042 with no opportunity to update without future agreement with HLT.

The opportunity to improve facilities at Havant would be lost, without payment of a substantial sum (unless determined earlier by the tenant).

The existing lease liabilities and risks to the council remain unchanged.

Delivery of the planned improvements at Waterlooville Leisure Centre would require further negotiations to proceed, resulting in delay.

Option 1 is not recommended.

Option 2: Do nothing until vacant possession of Havant Leisure Centre is required

- 3.3 The existing agreements would continue until determined by the Council. The existing liabilities and risks would remain.

Payment of non-statutory compensation to HLT would be required in accordance with the terms of the existing lease.

HLT could exercise their right to determine the Waterlooville Leisure Centre lease at that time, resulting in additional compensation payments and risk to service delivery.

Delivery of the planned improvements at Waterlooville Leisure Centre would require further negotiations to proceed, resulting in delay.

Option 2 is not recommended.

Option 3: Proceed to update the partnering agreement and regear the lease agreements

- 3.4 The lease agreements would be updated in accordance with the heads of terms attached at Appendix 4 (exempt from publication).

The partnering agreement would be updated as set out at Appendix 5 (exempt from publication).

Sustainability of leisure and wellbeing provision will be assured.

The council would be able to obtain vacant possession of the Havant Leisure Centre at the appropriate time, time without those risks and costs associated with service of notice and payment of compensation.

Expectations of partners (including Winchester City Council) are met in terms of the planned programme of improvement works at Waterlooville Leisure Centre.

Members will note the resolution at full Council on 28th February 2024 in respect of the use of the ringfenced Leisure Contingency Reserve.

Option 3 is the recommended option.

4.0 Relationship to the Corporate Strategy

- 4.1 Improving the leisure offering at Havant Leisure Centre and Waterlooville Leisure Centre is a corporate priority included within the list of initiatives in the People First – Wellbeing theme of the Corporate Strategy.
- 4.2 There are also links to the Pride in Place – Growth (External) theme, as the council develops a regeneration plan for Havant Plaza to make best use of the surrounding land.
- 4.3 There is a further link to the Growth (Internal) theme in terms of the council's review of approach to property asset management and maximising returns through either maintenance, disposal or transfer.

5.0 Conclusion

- 5.1 It is recommended that the Council should proceed to update the partnering agreement and regear the lease agreements in accordance with Option 3 above and the terms set out at Appendices 3 and 4 of this report (exempt from publication).
- 5.2 Negotiations between the Active Wellbeing team within Communities and the Leisure Operator are at an advanced stage and the key heads of terms for the lease regears have been provisionally agreed with HLT.
- 5.3 Timing of completion of the required amendments to the leases and partnering agreement are imperative and it is suggested that the required consents to the improvements at Waterlooville Leisure Centre and release of s.106 monies are undertaken simultaneously to mitigate risks.
- 5.4 It should be noted that the planned programme of improvement works at Waterlooville Leisure Centre is onerous, with a late summer / autumn site start date. This will be missed if the recommendations of this report are not approved.
- 5.5

6.0 Implications and Comments

6.1 S151 Comments

Members should be comfortable with the recommended option, the proposed regeared lease agreement and the detailed costs and benefits associated.

Members can be assured that the appropriate legal and financial due diligence will be completed before the Chief Executive and Section 151 Officer enter into any new formal agreement, and should any significant new risk/s emerge, the proposal will be reported back to Cabinet for further consideration.

6.2 Financial Implications

The financial considerations are set out at Appendix 3 of this report (exempt from publication).

The Heads of Terms & Summary of Benefits at Appendix 4 (exempt from publication) set out the benefits of the recommended option and further due diligence will be completed before entering into any new agreements.

Members will note the resolution at full Council on 28th February 2024 in respect of the total capital spend of £2.7m (including s.106 and other contributions) for the improvements at Waterloo Leisure Centre, and funds will not be released until the council is satisfied that terms for the proposed lease and partnering agreement changes have been finalised with HLT.

6.3 Monitoring Officer Comments

This matter is an executive function which fall to be agreed by Cabinet. When making this decision, members can be assured that all appropriate due diligence shall be undertaken in respect of this transaction. The Council's legal advisers shall advise on the transaction ensuring the Council complies with its statutory duties and to draft the appropriate legal documentation.

6.4 Legal Implications

Section 1 of the Localism Act 2011 gives the local authority power to do anything that individuals generally may do, subject to certain limitations, none of which are applicable here.

The Council may dispose of land (including entering into leases) having regard to the provisions in s123 of the Local Government Act 1973 and the General Local Disposal Consent (England) 2003.

6.5 Equality and Diversity

The proposals endeavour to deliver improvements to widen the leisure offer at Waterlooville, appealing to a broader section of the community. The Council expects Active Wellbeing Hubs to demonstrate a genuine contribution to wider strategic priorities and help narrow local health inequalities. HLT's community health and wellbeing programme will focus on the borough's populations who face the greatest barriers and inequalities to being active. It will provide a range of targeted support for specific conditions, pre and rehab, healthy weight, exercise referral and pain management. Social Value, Equalities, Accessibility and Inclusivity being core requirements to be developed and monitored with KPI's reported and reviewed annually.

6.6 Human Resources – there are no implications arising directly from this report

6.7 Information Governance - there are no Information Governance implications arising directly from this report

6.8 Climate and Environment – there are no climate and environment considerations relating to this report.

7.0 Risks

7.1 Risks are set out in Appendix 3 (Exempt)

8.0 Consultation

8.1 Extensive internal consultation has been undertaken with both the Leisure Team and the Regeneration Team.

8.2 Given the nature of the matter it is not appropriate to consult externally. Horizon Leisure Trust have, of course, been involved in the negotiation of this matter to date.

9.0 Communications

9.1 No external communications are required.

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr Liz Fairhurst	27.02.24
Executive Head:	Chris Riggott	27.02.24
Monitoring Officer:	Jo McIntosh	27.02.24
Section151 Officer:	Steve Pink	27.02.24