

Report to: **Executive**

Date: **7th July 2022**

Title: **Totnes Leisure Centre – Grant of Reversionary Lease**

Portfolio Area: **Leisure – Cllr Hawkins**

Wards Affected: **All**

Urgent Decision: **N** Approval and **Y** clearance obtained:

Date next steps can be taken:

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RECOMMENDATION

The Executive RECOMMEND to Council to grant a reversionary lease to Tadpool for a period from March 2029 to March 2043.

1. Executive Summary

- 1.1** This report will provide an update and make recommendations with respect to Totnes Leisure Centre, also known as Totnes Pavillion. This follows previous reports to the Executive in July 2016 [Min Ref: 33/16] & March 2018 [Min Ref 75/17].
- 1.2** Further to previous approvals, given the period of time since the original decisions, a report to Executive is required to confirm the previous resolutions for the grant of the reversionary lease.
- 1.3** This report will make recommendations in relation to proposed lease arrangements only.
- 1.4** A business case will be presented to a future meeting of the Executive in relation to the investment required to undertake refurbishment works to the Totnes Leisure Facility, alongside details of any associated required borrowing.

2. Background

- 2.1** Totnes Leisure Centre, also known as Totnes Pavilion, provides wet and dry facilities including a 25m swimming pool, sports hall, gym and studio.
- 2.2** The pool and the gym were provided in the early 1970's and operated by a local charity called TADPOOL – Totnes and District Swimming Pool Association. The sports hall, reception, exercise studio and dry-side changing rooms were built in 1997 by SHDC with the assistance of lottery funding.
- 2.3** The Centre is situated on the edge of Borough Park with SHDC owning the freehold of the whole site. The pool and gym are leased to Tadpool on a protected ground lease, the sports hall and other dry side areas are leased to Tadpool on a fully repairing unprotected lease.
- 2.4** As part of the leisure procurement outcome in July 2016 and the awarding of a 25 year contract to Fusion Lifestyle, it was proposed at Council – Minute 33/16 to approve an asset transfer of Totnes Pavilion (by way of a 25 year, full repairing lease) to Tadpool.
- 2.5** A key outcome of the procurement was to have a single management arrangement for the facility, instead of, as previously, two operators which presented challenges and inefficiencies in the running of the site.
- 2.6** In March 2018, Council (Minute 75/17) amended its previous decision to reflect Tadpool having entered into a direct operating leisure contract with Fusion for the management of the entire centre.
- 2.7** It also amended its decision in relation to the agreed loan facility being made to Tadpool of up to £1.5 million (to be funded by prudential borrowing), subject to a business case being approved by the Head of Assets and the Section 151 Officer, in consultation with the Monitoring Officer, the Leader of the Council and the Lead Executive Member. Instead, the loan facility was agreed to be made available to Fusion Leisure as operator, to undertake investment and improve the facilities at Totnes Leisure Centre.
- 2.8** Fusion Leisure are currently seeking internal board approval for the business case for this further investment. If approved, these proposals will come to a future meeting of the Executive for consideration.
- 2.9** This investment must be underpinned by the security of Tadpool's lease extending beyond 2029 (see 3.1 below) in order for them to extend their contract with Fusion in line with that new lease.

3. Current Lease Arrangements

- 3.1** In order to facilitate investment in the Totnes Leisure Centre required to fund refurbishment and improvement works, a longer lease to Tadpool is required.
- 3.2** It is not possible to surrender the existing leases and grant a new longer one because the surrender would trigger the termination of the leisure services contract with Fusion and the payment of various penalties and compensation.

3.3 It is therefore agreed with Tadpool, to grant a new reversionary lease (a lease with a commencement date in the future) which would start on 13 March 2029 as the existing leases expire, and expire on 12 March 2043. The whole of the reversionary lease will not be protected and will contain a development break clause.

4. New Lease Arrangement

The reversionary lease and the documentation to exclude security of tenure beyond 2029 are agreed between the Council’s legal team and Tadpool’s solicitors and, subject to the agreement of Deed of Surrender, are ready to be completed.

5. Conclusion

The proposed new lease arrangements facilitate long term investment in the Totnes Leisure Facility.

6. Impact Assessment

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	The outcomes and recommendations of this report are made on the advice of the Council’s legal team.
Financial implications to include reference to value for money	Y	There are no financial implications from the recommendations of this report. By way of background, a business case will be presented to a future meeting of the Executive in relation to the investment required to undertake refurbishment works to the Totnes Leisure Facility, alongside details of any associated required borrowing.
Risk	Y	These are as previously reported.
Supporting Corporate Strategy		The Council’s Thematic Delivery Plan ‘Strengthening Community Wellbeing’ contains an Action CW1.4 for ‘a £1.5m investment in Totnes Leisure Centre’.
Climate Change - Carbon / Biodiversity Impact		

Comprehensive Impact Assessment Implications		
Equality and Diversity		There are no Equality and Diversity implications
Safeguarding		There are no Safeguarding implications
Community Safety, Crime and Disorder		There are implications crime and disorder reduction
Health, Safety and Wellbeing		There are no implications on Health, Safety and Wellbeing
Other implications		There are no other implications

Supporting Information

Appendices: None

Background Papers:

Totnes Leisure Centre – June & September 2020 Executive Report