

## Cabinet

8th January 2009

### Business as Usual Consett Sports Complex



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### Report of Stuart Crowe, Corporate Director - Resources [Cabinet Portfolio Member for Corporate Resources, Councillor Michele Hodgson]

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#### Purpose of Report

- 1 The purpose of the report is to present to Members an outline of the Consultants work done so far in relation to a proposal for a new sports complex in Consett and propose the commissioning of a final piece of work to enable Cabinet to make a decision about the proposed development.

#### Background

- 2 Derwentside District Council have, for a number of years, been exploring the prospect of developing a comprehensive sports facility at Berry Edge on the former Steelworks site. Amongst other things, the proposal provides for the replacement of the swimming pool in Consett. The investment would amount to about £15m with the facility being available from August 2011.
- 3 On 28<sup>th</sup> August 2008 Cabinet considered my report outlining this proposal, under the terms for 'Business as Usual' for Local Government Review, and agreed to commission a report from Consultants. This report was to be designed to assist Cabinet in determining a way forward for the project. Work was commissioned from Insight Management and Systems Consultants Limited.

#### The Findings

- 4 The Consultants have now reported to me and I have had an opportunity to review their report. The report contains material which is commercially confidential at this stage. However an extract from the Consultants executive summary is set out below:
  - The project has an estimated capital cost of around £15m.
  - Derwentside District Council currently has resources for most of the development cost with balancing funding coming from two additional funders which, "appears secure"
  - The Business Case Summary takes no account of proceeds of sale of sites in Consett.

- Derwentside reserves held at 31<sup>st</sup> March 2008 were sufficient to meet this commitment.
- Estimated running cost deficit is lower than that generated by the existing facilities.
- The proposed location of the project is on a site which appears to be under the control of Project Genesis Ltd (PGL).
- Other organisations including The Genesis Trust are involved in the development of the site.
- On completion of the contract a long lease will be entered into between PGL and Derwentside.
- A proposed Heads of Terms agreement deals with the relationship between PGL and the Council.
- Strong mitigation measures appear to have been incorporated into the Proposed Heads of Terms, in that a number of gateway reviews allow Derwentside to “walk away” from the Project, in the event of Cost, Design, or Timing issues failing to meet requirements.
- There may still be an expectation that the original Sports Village concept is being developed. There is therefore an expectation gap that will need to be managed.
- The project site provides future potential for the development of additional sports facilities, which may attract funding opportunities and satisfy public expectation in the longer term. Development of the existing leisure sites is unlikely to provide similar opportunities.

5 The Consultants however have identified a number of issues which they suggest need to be addressed particularly around the relationship between Derwentside and the Genesis Trust.

6 The Trust would appear to have considerable powers over the future of Genesis property. In addition, it appears that the ultimate developer is already specified. This arrangement appears to remain in place indefinitely and would appear to give the developer exclusive development powers, in perpetuity (or at least until all Genesis land has been developed). It appears that any gains made directly by the Trust must be used for the benefit of Consett.

7 It is suggested that it is important to review the level of gains made by the Trust, and the use to which those gains have been put. PGL is a company which is partly owned by Trust and the developer. It is suggested that a detailed review of the activities and trading record and dividend distribution of both companies is undertaken. A number of companies appear to exist within the Developer’s Group of companies, and it is suggested that research is undertaken to understand the rationale and the potential impact on the new Authority. Given the apparent significance of the relationship with Genesis Trust, PGL and the District of Derwentside, it is suggested that this needs to be understood and the extent to which this relationship affects the project needs to be explored.

- 8 Leisureworks – the Trust which currently holds responsibility for the operation of Sports and Arts facilities in Derwentside, is being proposed as the body which will operate the facilities. However the new council will have different models of service delivery for sport and leisure. Work could be undertaken to test whether this model is suitable for this project.
- 9 I therefore suggest work as set out below is commissioned to understand:-
- (i) The resulting relationship between the new unitary authority the County Council, and the Genesis Trust, together with its associated companies, in particular PGL.
  - (ii) The resulting relationship between the new unitary authority the County Council, and Leisureworks.
  - (iii) The extent to which linkages with other policies/organisations have been considered in the current Project proposal. In particular, the policies of the County Council to the extent that these will be taken forward by the new unitary authority.
  - (iv) Any actions which will need to be undertaken by the new unitary authority the County Council, in order to take the project forward.
  - (v) On-going maintenance and operating requirements for the Project, and the impact of these on the operating performance of the unitary authority.
  - (vi) An assessment of the overall socio-economic impact on the residents of Derwentside, particularly in the light of the strategy and vision of the County Council, and how this will be taken forward by the new unitary authority.

### **Conclusion and Recommendations**

- 10 The Consultants have produced a helpful report. It is clear that there are a number of positives which should give assurances to the new County Council about the project. However, other questions have been raised, particularly around the relationship between Project Genesis Ltd, a Trust and the current District. These relationships are soon to be with the County Council.
- 11 It is recommended that, in consultation with the Chairman and the Cabinet Portfolio Member for Corporate Resources I be authorised to commission a final piece of work from Consultants based on the above as a matter of urgency.

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24<sup>th</sup> December 2008  
p/reports/ct01-09

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## **Appendix 1: Implications**

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### **Local Government Reorganisation**

#### **(Does the decision impact upon a future Unitary Council?)**

The proposed Consett Sports Complex would be a development the County Council would need to undertake.

### **Finance**

Resources would have to be provided by funds from the District Council. There will be an ongoing relationship with contractors for maintenance and running costs.

### **Staffing**

None

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and disorder**

None

### **Sustainability**

None

### **Human rights**

None

### **Localities and Rurality**

None

### **Young people**

None

### **Consultation**

None

### **Health**

None