

Report To: **STRATEGIC PLANNING AND CAPITAL MONITORING PANEL**

Date: 26 November 2018

Reporting Officer: David Moore – Interim Director of Growth

Subject: **LEISURE ASSETS CAPITAL INVESTMENT PROGRAMME UPDATE**

Report Summary: This report provides a summary of progress to date in relation to the delivery of the Council's capital investment programme to improve sports and leisure facilities approved by Executive Cabinet on 24 March 2016.

Recommendations:

- 1) That the Strategic Planning and Capital Monitoring Panel recommend that Executive Cabinet approve the £1.5m grant award by Sport England be added to the Tameside Wellness Centre, project value in the Capital Programme.
- 2) That a report be presented to Executive Cabinet on the funding shortfall for the Hyde Pool scheme and to consider the options available to the Council.

Links to Community Strategy: The Community Strategy 2012-22 (and the Corporate Plan 2013-18) outlines the priorities for improving the Borough. The Leisure Assets Capital Investment Programme directly links to the Tameside Sustainable Community Strategy objective of 'Healthy Tameside'.

Policy Implications: This Leisure Assets Capital Investment Programme supports the Tameside Health and Wellbeing Strategy and specifically the strategic priority for reducing physical inactivity and improving physical activity levels across Tameside.

Financial Implications:
(Authorised by the Section 151 Officer) The Executive Cabinet approved a £20.4m leisure facility investment budget on 24 March 2016.

As set out in section 2 of this report, included within the total investment budget was £2m for the Active Hyde pool extension scheme. On 30 August 2017 Executive Cabinet approved an additional investment of £1.096m and a further £0.088m was approved by Cabinet on 21 March 2018, taking the total approved budget for Hyde Pool to £3.185m. The Active Hyde scheme was delayed due to technical issues compounded by the late withdrawal of the main contractor from the scheme earlier this year. It is estimated that the delay has led to the need for additional capital funding of £0.250m taking the proposed Council's total investment in the scheme to £3.435m. Once the value of the funding shortfall has been fully evaluated by the LEP a further report will be prepared for consideration by Executive Cabinet.

Also set out in section 2 of this report, the Council's Stage 2 funding application to Sport England to enhance the Tameside Wellness Centre project has been approved. The Lottery Funding Agreement has now been signed and the value of the grant confirmed at 1.5m. Approval is sought for the £1.5m grant to be added to the scheme budget. If approved, the

scheme value for the Tameside Wellness Centre, Denton will be £16.224m (£13.674m Council investment, £1.5m Lottery funding and £1.050m repayable loan by Active Tameside).

It should be noted that to access the £1.5m Lottery funding there are strict conditions to be met. There are 25 project conditions to be achieved prior to the drawdown of any part of the lottery grant and 4 legacy conditions to be achieved prior to the drawdown of the lottery grant retention. A robust process must be put in place so that all 29 conditions are achieved in a timely manner.

The viability appraisal of the Tameside Wellness Centre project is now complete and a cash flow forecast prepared based on a 12 November start date on site. The 2018/19 period 6 capital monitoring reflects the delayed start date and seeks approval for budget re-phasing into 2019/20 for the Tameside Wellness Centre.

Elected Members should note section 3 of the report. This explains there is a clear risk to both the Council and Active Tameside that delays to facility completion dates will impact on the opportunity for Active Tameside to realise the expected levels of additional revenue. The Council's financial plan assumes reductions to the annual revenue investment in Active Tameside as a result of Active Tameside being able to realise these additional revenues which are now being delayed.

VAT advice has been received from the Council's VAT advisors, PSTAX. Financial Management have been reassured that there will be no negative VAT consequences for the Tameside Wellness Centre project. However this advice was based on the Council leasing the facility on a peppercorn rent and receiving no other consideration from the lessee. If this arrangement changes, the Council's ability to reclaim VAT on the land transactions or the development and construction of the building would be put at risk.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

Members should be mindful of the potential VAT implications as set out by the section 151 Officer when making this recommendation to Cabinet.

It is important to manage the Council's leisure offer effectively to ensure it provides value for money and properly supports the health and wellbeing needs of the borough. The monitoring of the capital investment programme by Members plays a key role in doing so. Members need to consider the report holistically and have clear oversight in providing strategic direction when balancing competing priorities, whilst ensuring the Council's fiduciary duties to the public purse continue to be met.

Risk Management:

Risk management is considered in section 3 of this report.

Access to Information:

The background papers can be obtained from the author of the report, Andrea Wright, Capital Projects Lead, by:



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1. INTRODUCTION

- 1.1 This report provides a summary of progress to date in relation to the delivery of the Council's capital investment programme to improve sports and leisure facilities approved by Executive Cabinet on 24 March 2016. The investment programme is now providing high quality sports and leisure facilities creating a platform to reduce physical inactivity and supporting the development of a sustainable funding model for Active Tameside.
- 1.2 Additional benefits from the programme include a reduction in dependence on other Council and health related services, increased participation in community life and improved quality of life for all residents including the most vulnerable.
- 1.3 Once implemented in full, the proposals will enable revenue investment in Active Tameside to be reduced from £1.865 million in 2015-16 to £0.441 million by the end of the contract in 2023-24 (a reduction of £1.424 million or 76%).
- 1.4 Approval for any capital re-phasing highlighted in this report will be dealt with in the Capital Monitoring Report presented to the Executive Cabinet.

2. PROGRAMME UPDATE

- 2.1 The Leisure Assets Capital Investment Programme comprises a number of individual projects. The following schemes have been completed as planned:-
 - Active Copley heating system replacement (£0.369m).
 - Active Copley pitch replacement scheme (£0.177m).
 - Active Medlock roof replacement scheme (£0.120m).
 - Active Dukinfield development (ITRAIN) – (£1.3m Council investment & £1m repayable loan by Active Tameside).
 - Active Longdendale Development (Total Adrenaline) – (£0.600m repayable loan by Active Tameside).
- 2.2 **Active Hyde Pool Extension (£3.096m)** – A revised budget of £3.096m for the extension of Active Hyde was recommended for approval by Strategic Planning and Capital Monitoring Panel on 10 July 2017. In addition, a further £88,280 was approved by Executive Cabinet on 21 March 2018 to increase the capital allocation to £3,185,000 in the 2018-2019 capital programme. It was envisaged that the additional capital would enable work to start on site in May 2018 subject to contract.
- 2.3 The Hyde Pool Extension scheme had initially been delayed due to technical issues that required approval for additional funding. This delay has been compounded by the late withdrawal of the main contractor from the scheme earlier this year. Since the withdrawal, the day before the anticipated contract signing, the LEP has been working to secure a new contractor. A proposal has been submitted by a potential new contractor which is being fully evaluated by the LEP. The outcome of the evaluation will lead to the need for additional capital funding estimated to be in the region of £0.250m. The need for additional funding has been mitigated by a number of value engineering proposals. Once the value of the funding shortfall has been fully evaluated a further report on the options available to the Council will be prepared for consideration by Executive Cabinet.
- 2.4 **Active Hyde Wave Machine Replacement (£0.060m)** - The Wave Machine installation at Active Hyde would normally need a two-week partial facility closure due to the need to drain the pool tank to facilitate the installation. However, a technical assessment is under way to determine if the installation can take place without draining the pool thereby maintaining attendances and associated income levels for Active Tameside. The design of the new system is underway with installation to take place this financial year.

- 2.5 **Tameside Wellness Centre, Denton (£13.674m Council investment & £1.050m repayable loan by Active Tameside)** – The Tameside Wellness Centre scheme is progressing following a Council Key Decision of 27 April 2017. The Development Agreement and Land Sale Agreement have now become unconditional with construction of the new facility scheduled to start in early November.
- 2.6 Consultation on the design of the centre concluded on the 5 November 2017. However, further design consultation is taking place with a forum of people living with Dementia. This is to ensure that the facility is "Dementia Friendly".
- 2.7 The Council's Stage 2 funding application to Sport England was approved by Sport England Panel on the 12 July 2018 subject to the signing of the Lottery Funding Agreement. The Lottery Funding agreement has now been signed and the value of grant confirmed at £1.5m. Sport England's contribution needs to be added to the capital value of the scheme in the Council's Capital Programme. Sport England has specific guidelines for signage and media releases that the Council is required to comply with under Lottery Funding agreement.
- 2.8 Work to facilitate an early delivery of the scheme continues to be progressed with the developer and the preferred contractor.

3. RISK MANAGEMENT

- 3.1 The major risks associated with all capital schemes include funding, increasing costs and time delays occurring during the development and delivery phases. The Council continues to manage and monitor schemes using robust project management methodology and governance to mitigate these risks.
- 3.2 The capital investment report approved by the Executive Cabinet on 24 March 2016, as referred to in section 1.1, included supporting a rationale to reduce the annual revenue investment payable by the Council to Active Tameside i.e. a reduction from £1.865 million in 2015-16 to £0.441 million by the end of the contract in 2023-24. The planned reduction included a number of proposals associated with the capital investment programme via additional revenue that would be realised by Active Tameside from the new facilities. The reduction profile was based on expected facility completion dates at that time.
- 3.3 There is a clear risk to both the Council and Active Tameside that delays to facility completion dates will impact on the opportunity for Active Tameside to realise the expected levels of additional revenue, which will subsequently enable the Council to reduce the level of annual revenue investment payable during the existing contract period. The context of the additional revenue that would not be realised for each month a facility completion is delayed is an estimated sum of £35,000 for the Tameside Wellness Centre and an estimated sum of £6,000 for Hyde Pool.
- 3.4 The risk register for the Leisure Asset Investment Programme is attached at **Appendix 1**.

4. RECOMMENDATIONS

- 4.1 As set out on the report cover.

APPENDIX 1

Risk Register at October 2018

	Risk Description	Mitigation Plan	Raw Consequence	Raw Likelihood	Raw Risk Level	Actions	Residual Consequence	Residual Likelihood	Residual Risk Level
1 Wellness Centre	Sport England funding application is unsuccessful resulting in the delivery of a modified scheme. This could result in public and stakeholder dissatisfaction and may affect the operational viability of the facility and its health outcomes.	Strong application. A number of pre application engagements have taken place with SE at regional and national level.				Funding awarded			
2 - Wellness Centre	Sport England funding decision delayed resulting in delays to the programme. .	Strong application. Application now submitted. To be formally considered in July.				Funding Awarded			
3 Wellness Centre	Planning approval delayed or onerous conditions attached such as restricted hours of use. Delays to planning consent would impact on the programme. Onerous conditions may impact on business case.	Pre application discussions taken place with Planning. Extensive public consultation conducted to support the application.				Planning Permission granted			
4 Wellness Centre	Tender outcome unaffordable resulting in modifications to the design resulting in programme delay.	Detailed/benchmarked cost plan produced				Viability Appraisal completed			
6 Hyde Pool	Cost increase due to delays and change of preferred contractor.	Work with the preferred contractor to reduce costs where possible	4	4	16	Continued dialogue with the contractor via the LEP	4	4	16
7 Hyde Pool	User group dissatisfaction	Coms Plan	4	4	16	Develop Coms plan Ensure this is compliant with Sports England Lottery Funding grant conditions	4	4	16
8 Active Tameside	Ongoing delays impact on Active Tameside's revenue position. There is an estimated impact of £35,000 per month of reduced revenue that will be realised by Active Tameside beyond the project completion date for the Wellness Centre. In addition there is an estimated impact of £6,000 per month of reduced revenue that	Ongoing discussions with Active Tameside in order to minimise the impact of lost income generated from the new and improved facilities	4	4	16	Continued dialogue with Active Tameside	4	4	16

	will be realised by Active Tameside beyond the project completion date for Hyde Pool.								
9 Hyde Pool	The scheme is being delivered by the LEP on behalf of the Council. The LEP's priority is the delivery of the Vision Tameside Project. This commitment may impact on their ability to accelerate the scheme as required by the Council	Ongoing discussions with the LEP to ensure that the scheme is adequately resourced	4	4	16	Continued dialogue with the LEP	4	4	16