

Report to:	STRATEGIC PLANNING AND CAPITAL MONITORING PANEL
Date:	8 July 2019
Executive Member / Reporting Officer:	Cllr Eleanor Wills - Executive Member (Adult Social Care and Population Health) / Jeanelle de Gruchy, Director of Population Health.
Subject:	LEISURE ASSETS CAPITAL INVESTMENT PROGRAMME
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:	That members note the content of this report and a recommendation is made to Executive Cabinet that the value of the Floodlight Replacement scheme, as set out in section 4.3 of this report, be added to the 2019/20 approved Capital Programme on the understanding that the scheme will not progress to contract until all the required funds are in place.
Corporate Plan:	The Community Strategy 2012/22 (and the Corporate Plan 013/18) 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:	The Leisure Assets Capital Investment Programme supports the Tameside Corporate Plan and specifically the 'Longer and Healthier Lives' priority for reducing physical inactivity and improving physical activity levels across Tameside.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The following financial implications for the schemes are set out below:</p> <p>Proposed Floodlight Replacement Scheme This report seeks support for the approval for a £0.1m for the floodlight replacement scheme to be added to the 2019/20 Council's capital programme on the understanding that the scheme will not progress to contract until all the required funds are in place. As set out in section 4.2 of this report the floodlights have reached the end of their useful life and need to be replaced as a matter of urgency. Under the terms of the lease the replacement of the floodlights is the responsibility of the club. The club does not have the technical expertise to deliver the scheme; consequently they have approached the Council as landlord to deliver the scheme on their behalf. The Council's Engineers have developed the detailed design and specification for the replacement scheme in readiness for a tender exercise.</p> <p>Tameside Wellness Centre, Denton The Tameside Wellness Centre total scheme value is £16.224m (£13.674m Council investment, £1.5m Sport England grant and a £1.050m repayable loan by Active Tameside. The Active Tameside £1.050m repayable loan will be the subject of a report to the Council's Senior Leadership Team in June 2019. It should be noted that there is a delay to the drawdown of the Sport England grant. The delay is due to a pre-drawdown</p>

requirement to have a “restriction of title” in place. The situation is being managed and monitored by the Council’s Legal team.

On 27 March 2019, Executive Cabinet authorised the Director of Growth to permanently close and demolish Active Denton (Denton Pool) at a cost of £0.250m when the new Tameside Wellness Centre opens in early 2020. An options paper is being prepared and will be presented to Executive Cabinet.

VAT implications

Active Tameside will be issued with a Deed of Variation/Amendment to their existing lease which will seek to substitute the existing facility with the new facility on the same terms and conditions until the existing lease comes to an end in March 2024. As previously reported, Financial Management have been reassured by the Council’s VAT advisors that there will be no negative VAT consequences for the Tameside Wellness 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 transaction or the development and construction of the building would be put at risk.

Active Hyde Pool Extension

The Active Hyde Pool Extension scheme budget is £3.465m. As set out in section 3.1 of this report there have been ongoing delays and procurement issues, which have increased the project costs. Following a recent tendering exercise, a report is now timetabled to be on the agenda of Executive Cabinet meeting scheduled for August 2019. Members will be able to consider the latest position and the options available.

Active Medlock

On 27 March 2019 Executive Cabinet approved a report prioritising a number of projects. The Active Medlock synthetic turf pitch replacement scheme was one of those schemes requesting £0.120m as referenced in section 3.4. A report will be presented to Executive Cabinet in August 2019.

Legal Implications:

(Authorised by the Borough Solicitor)

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 5 of this report

Background Information:

The background papers relating to this report can be inspected by contacting 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 repayment of outstanding prudential borrowing that is owed by Active Tameside, alongside a sustainable reduction in the management fee paid by the Council.
- 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. PROGRAMMME UPDATE – COMPLETED SCHEMES

- 2.1 The Leisure Assets Capital Investment Programme comprises a number of individual projects. The following schemes have been completed:
 - 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).

3. PROGRAMMME UPDATE – LIVE SCHEMES

- 3.1 **Active Hyde Pool Extension (£3.465m)** - A revised budget of £3.096m for the extension of Active Hyde was recommended for approval by Strategic Planning and Capital Monitoring Panel back in 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. The budget for the Hyde pool scheme, approved by Executive Cabinet on the 12 December 2018, was increased by £280,000 to £3.465m. This increase was due to the need to revisit the tenders after the withdrawal of the preferred contract just before the signing of contracts.
- 3.2 The contracts for the Hyde Pool scheme were due to be exchange late December 2018. Days before the signing date the preferred contractor withdrew its interest blaming the risks posed by volatility in the local supply chain. This is the second time the scheme has suffered from the withdrawal of the main contractor immediately before contract signing. The explanation provided by the main contractor is as follows; The construction supply chain in the Northwest is extremely busy which means that sub-contractors for things like ground works, steel and other trades can pick and choose their contracts. The surplus of work means that sub-contractors can inflate their quotes and can dictate start and completion dates impacting on programme. The risk imposed by likely post contract cost increases and programme delays were too great for the main contractor in this instance and as a consequence they withdrew their interest in the scheme.

- 3.3 In order to progress the development the Council (via the LEP) has retendered the scheme. The tenders are now being evaluated. The contractors have been asked to review the contract documentation which may lead to further delay if they seek any kind of amendment. Due to the ongoing delays and procurement issues the cost of the scheme is increasing which means that further governance is required which sets out the latest position and the options available to members. The Executive Cabinet meeting scheduled for the 28 August 2019 has been earmarked to consider the cost and programme implications of the recent tender exercise.
- 3.4 **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.
- 3.5 **Tameside Wellness Centre (£13.674m Council Investment & £1.050m repayable loan by Active Tameside & £1.500m grant from Sport England)** - The Tameside Wellness Centre scheme is progressing well following a Council Key Decision of 27 April 2017. Construction began in November 2018 with completion scheduled for early spring 2020.
- 3.6 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 initiative is to ensure that the facility is fully "Dementia Friendly".
- 3.7 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 has been added to the capital value of the scheme in the Council's Capital Programme. There is a slight delay to the drawdown of funds from Sport England. The delay is due to a pre-drawdown requirement to have a "restriction of title" in place. The restriction cannot be applied until the documentation arrives from Land Registry which continues to be delayed. The situation is being managed and monitored by the Council's legal team.
- 3.8 Work to facilitate an early delivery of the scheme continues to be progressed with the developer and the main contractor.
- 3.9 Active Denton (Denton Pool) will permanently close when the new Wellness Centre opens in early 2020. Active Tameside will be issued with a Deed of Variation/Amendment to their existing Lease which will seek to substitute the existing facility with the new facility on the same terms and conditions until the existing Lease comes to an end in March 2024.
- 3.10 Denton Pool is in very poor condition and its demolition, subject to planning approval, has been approved by Executive Cabinet once the Tameside Wellness Centre has become operational. The cost of demolition is estimated to be £250,000 but this may be subject to change once the demolition scheme is tendered. It is proposed that the cost of demolition be met from the Capital Programme with the cost of demolition being offset by a capital receipt to be realised from its disposal. The options available to the Council for the disposal of the site will be presented by the Director of Growth to Executive Cabinet for consideration and approval. The 25 September 2019 has been earmarked.
- 3.11 The Wellness Centre fit out is to be funded by Active Tameside from Prudential Borrowing at an approved value of £1.05m. How the funding is to be used and repaid will be set out in a report to the Senior Leadership Team in June 2019.

- 3.12 **Active Medlock Synthetic Turf Pitch Replacement (£0.120m earmarked)** - The synthetic turf pitches at Active Medlock are 19 years old and have reached the end of their useful life. The pitches need to be resurfaced if they are to continue to operate beyond this winter. The scheme has been earmarked for support in the Capital Programme subject to full business case approval. Further Governance is required in order for the scheme to progress. A report will be presented to the August meeting of Executive Cabinet.

4. PROGRAMME UPDATE

- 4.1 **Active Ashton (Ashton Pool)** - Active Ashton is in poor condition and needs to be fully refurbished if it's to be retained. Current thinking is that the facility needs to be relocated in the form of a wellness centre if it is to impact significantly on Public Health outcomes. Authority to proceed with the survey was set out in the approved Strategic Planning Capital Monitoring Panel Minutes to Executive Cabinet on the 27 March 2019. The outcome of the survey will be used to set out an option paper for further consideration.
- 4.2 **Floodlight Replacement Scheme** - The athletic facility, off Richmond Street in Ashton, is owned by the Council and leased to East Cheshire Harriers Athletic Club. The lease, which runs until 2031, places the onus on the club to maintain the facility and keep the grounds in good order. The floodlights, which illuminate the running track and infield are circa 35 years old and have reached the end of their useful life and need to be replaced as a matter of urgency. The replacement of the floodlights is the responsibility of the club under the terms of the existing lease but they need to obtain landlord's consent. In keeping with the Lease, the club intends to replace the 8 floodlights, including the 17m columns using its own financial resources supplemented by a grant from Sport England. The club does not have the technical expertise to deliver the floodlight replacement scheme which includes a 3 phase 415v power supply which needs specialist input. Consequently they have approached the Council as Landlord (Engineers – Design and Delivery) to deliver the scheme on their behalf. The Council's Engineers have developed the detailed design and specification for the replacement scheme in readiness for a tender exercise. The club is funding the project from their own resources along with a successful Sport England Grant. The Council is making a very small contribution from revenue and is providing technical support to deliver the scheme. The funding from the club will be passed to the Council before the scheme starts and the grant from Sport England will be draw down post completion by the club.
- 4.3 The estimated cost of the scheme is as follows;
- | | |
|---------------------------------------|---|
| Sport England Grant Funding | £53,735 |
| Club (East Cheshire Harriers) Funding | £38,265 |
| Council revenue | £8,000 (The Council's contribution is in an existing revenue budget). |
- 4.4 It is recommended that the value of the scheme be added to the 2019/20 approved Capital Programme on the understanding that they scheme will not progress to contract until all the required funds are in place.

5. RISK MANAGEMENT

- 5.1 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.
- 5.2 A decision was made by Executive Cabinet on 23 January 2019 to re-profile the annual revenue investment payable by the Council to Active Tameside due to delays to capital

schemes with revised operational opening dates of October 2020 for Active Hyde and April 2020 for Wellness Centre, Denton. The proposed re-profile of the management fee values payable for the financial years 2018/19, 2019/20 and 2020/21, is summarised in **Table 1**. Active Tameside are amenable to agreeing a gain share arrangement if performance at Active Denton and Active Hyde exceeds the level of assumed operating surplus in 2020/21, whereby the management fee would be reduced in subsequent years.

Table 1

Management Fee Summary (£000)	2018/19	2019/20	2020/21
Existing Management Fee	1,451	924	715
Proposed Management Fee	1,498	1,403	1,077
Additional Management Fee Variation	47	479	362

A further report will be presented to Members during 2020/21 to consider the value of management fee payable for the years 2021/22 to 2023/24 (the end of the existing lease term), in light of the performance of the newly operational sites.

- 5.3 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 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.
- 5.4 The risk register for the Leisure Asset Investment Programme is attached at **Appendix 1**.

6. CONCLUSIONS

- 6.1 Good progress is being made in relation to the remaining live schemes. Governance arrangements are now in place for the decisions required in order to progress the Hyde Pool scheme, the Active Medlock Pitch replacement scheme and the options for the disposal of the Active Denton site.

7. RECOMMENDATIONS

- 7.1 As set out at the front of the report.

APPENDIX 1

Risk Register at June 2019

	Risk Description	Mitigation Plan	Raw Consequen ce	Raw Likeliho od	Raw Risk Lev el	Actions	Residual Conseque nce	Residual Likelihoo d	Resid ual Risk Level
1 Wellness Centre	Cost increase due to design changes and/or programme delays.	The Council has employed the services of an independent client advisor to support programme and cost management.	3	3		Ongoing monitoring	2	2	4
2 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
3 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
4 Active Tamesid e	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	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

	estimated impact of £6,000 per month of reduced revenue that will be realised by Active Tameside beyond the project completion date for Hyde Pool.								
5 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. The scheme has reached PC but still requires the LEP through the defects liability period and final account	3	3	9