

Report to:	STRATEGIC PLANNING AND CAPITAL MONITORING PANEL
Date:	2 September 2019
Executive Member / Reporting Officer:	Councillor Allison Gwynne Executive Member – Neighbourhoods, Community Safety & Environment 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 that the following recommendations are made to Executive Cabinet for approval; <ol style="list-style-type: none"> 1. That the name of the new Wellness Centre facility be acknowledged formally as the Tameside Wellness Centre – Denton; and 2. that car parking at the Tameside Wellness Centre be regulated as Pay and Display (Zone 1) in accordance with council off street parking regulations..
Corporate Plan:	The Community Strategy 2012/22 (and the Corporate Plan Our People Our Place Our Plan) 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 'Increase Levels of Physical Activity' priority.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>Proposed Floodlight Replacement Scheme A report outlining a £0.1m investment to replace the floodlights was approved on 24 July 2019 at Executive Cabinet and an adjustment has been made in the 2019/20 Capital Programme. The council is currently waiting on confirmation for the funding from Sport England and confirmation from East Cheshire Harriers before the project can commence.</p> <p>Tameside Wellness Centre, Denton – The scheme value is £16.224m. 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 requirement to have a "restriction of title" in place. The situation is being managed and monitored by the Council's Legal team and should all be resolved in the upcoming months.</p> <p>The costs of the Wellness Centre Scheme are being well managed however 7 months into the contract there are some minor costs that will require additional contingent budget of £0.150m which has been detailed in the Period 3 Capital Monitoring report to be presented to SPCMP on 2 September 2019. The additional costs are the building works for the Tameside Wellness Centre Car Park facility including the Pay and Display infrastructure. The Car Park</p>

will have a number of benefits as it will provide low cost parking for customers. The income expected to be generated from the car park will offset the cost of managing and monitoring the site. However the income stream is yet to be determined.

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 is scheduled to open in early 2020.

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 current scheme budget is £3.465m. As set out in section 3.1.2 of this report there have been ongoing delays and procurement issues which have increased the project costs. A further report is currently being drafted which will be presented at a subsequent meeting.

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 as it has reached the end of its useful life and will cost £0.120m. The business case will be considered on 25th September 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 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. Consideration needs to be given as to whether this report provides necessary assurance that projects being managed on time and on budget and whether risks being managed and mitigated, which may impact on cost and delivery.

Risk Management:

Risk management is considered in section 4 of this report

Background Information:

The background papers relating to this report can be inspected by contacting Nicola Turner, Interim Head of Development and Investment.



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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 increase physical activity 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:
 - a. Active Copley heating system replacement (£0.369m).
 - b. Active Copley pitch replacement scheme (£0.177m).
 - c. Active Medlock roof replacement scheme (£0.120m).
 - d. Active Dukinfield development (ITRAIN) – (£1.3m Council investment & £1m repayable loan by Active Tameside).
 - e. Active Longdendale Development (Total Adrenaline) – (£0.600m repayable loan by Active Tameside).

3. PROGRAMMME UPDATE – LIVE SCHEMES

Active Hyde Pool Extension

- 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 contractor just before the signing of contracts.
- 3.2 The contracts for the Hyde Pool scheme were due to be exchanged 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 North West 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 for the third time. 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. However, at the time of writing this report the value of the cost increase has not been reported by the LEP so target dates for governance are yet to be confirmed. Regular updates continue to be requested.
- 3.4 **Tameside Wellness Centre**
Tameside Wellness Centre (£16.224m) - The Tameside Wellness Centre scheme is progressing well following a Council Key Decision of 2 May 2017. Construction began in November 2018 with completion scheduled for early spring 2020. Work to facilitate an early delivery of the scheme continues to be progressed with the developer and the main contractor Willmott Dixon. The Tameside Wellness Centre's total scheme value is £16.224m.
- 3.5 On 27 March 2019, Executive Cabinet authorised the Director of Growth to permanently close and demolish Active Denton (Denton Pool) when the new Tameside Wellness Centre opens in early 2020. An options paper for the disposal of the site is being prepared and will be presented to Executive Cabinet for consideration.
- 3.6 Cost control for the Wellness Centre scheme is being well managed with only marginal changes being experienced to this point, 7 months into the contract. However, we are now experiencing some very minor pressure on costs, which requires an additional contingent budget of £0.150m to ensure the scheme isn't delayed unduly, resulting in extension of time claims. This represents a cost increase of 1% on the overall scheme. Any unspent contingency will be returned to the Capital programme at the end of the scheme. If approved the total value of the scheme in the Capital programme will increase from £16.224m to £16.374m. The funding request is set out in the Capital Monitoring Report (Period 3) presented to SPCMP on 2 September 2019.
- 3.7 The Tameside Wellness Centre, Denton derives its name from the type of facility it is (now commonly known by local authorities as a wellness centre) and the fact that it's a facility that will serve the whole of Tameside rather than a more local town based catchment. Given that the name is now embedded it is proposed that the building will continue to be known as the Tameside Wellness Centre - Denton. Active Tameside has confirmed that they can successfully assimilate the proposed name into their service branding.
- 3.8 The Tameside Wellness Centre benefits from on-site parking facilities including 109 parking bays and a coach/bus bay situated off Lance Corporal Andrew Breeze Way. It is proposed that vehicular parking at the site be regulated with the introduction of a "Pay and Display" system from the first day of operation. The Council's other town centre leisure facility, Active Ashton, is also successfully regulated and operates as a Zone 1 parking facility. The current Zone 1 charges are as follows;

Zone 1

- Up to 1/2 hour 50p
- Up to 3 hours £1.00
- All day £2.00
- Evening charges: 6pm - midnight £1.00
- Sunday charges 8 am till 6pm £1.00
- Between 6pm and midnight (evening charge) £1.00
- Maximum period for which vehicles may wait 10 hrs
- 6pm to Midnight and Sundays - No Limit

The introduction of Pay and Display Parking at the Tameside Wellness Centre has a number of benefits, specifically:

- Zone 1 parking provides a low cost parking solution for customers. Therefore the cost of parking should not have a detrimental impact on the number of visitor to the site.
- The parking scheme will be introduced from “day one” so customers do not experience a change a parking arrangements at the venue.
- The parking system will be managed and regulated by the Council to ensure sufficient parking places for visitors to the site.
- Zone 1 charges at Active Ashton provides evidence that a Pay and Display parking solution works well in a town centre location and that there is consistency of charging policy in town centre locations.
- Sport England, has confirmed they have no evidence to suggest that charging to park at leisure sites has a detrimental impact on participation.
- The income derived from Pay and Display at the site will be used to offset the cost of managing and monitoring the site by the Council. The value of the income stream is yet to be determined.

The cost of introducing pay and display infrastructure will be met from the capital schemes contingent budget.

Active Medlock Synthetic Turf Pitch Replacement

3.9 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.

3.10 In July 2018 Executive Cabinet received a report setting out the capital pressures facing the Council. The report recommended that the programme, as approved in October 2017, would need to be reprioritised, and noted that the size of the capital programme would be dependent on the level of capital receipts realised. Following approval of the Capital Programme Methodology for Prioritisation at Executive Cabinet on 27 March 2019, this scheme was approved for progression to the full business case stage.

3.11 The business case, which recommends that the Council approves the inclusion of £0.120m in the 2019/20 Capital Programme for the replacement of pitch surfacing at Active Medlock will be considered by Executive Cabinet on the 25 September 2019.

Richmond Street Ashton - Floodlight Replacement Scheme

3.12 Floodlight Replacement Scheme – (£0.100m). On the 24 July 2019, Executive Cabinet approved an adjustment to the 2019/20 Capital Programme for the floodlight replacement at Richmond Street Ashton, home of East Cheshire Harriers. The scheme has been tendered and the cost of the scheme is in keeping with the original budget projection. In line with Executive Cabinet approval the contract will only be left when all the necessary funding is in place. At the time of writing this report the Council was awaiting confirmation of funding from Sport England.

Active Ashton Pool Condition Survey

3.13 Active Ashton Pool Condition Survey – Approval to undertake a condition survey at Active Ashton was given by Executive Cabinet on 27 March 2019. The LEP has been commissioned to undertake the condition survey which is scheduled to take place during August 2019. The outcome of the survey will be reported to the next scheduled meeting of SPCMP. The cost of the condition survey will be met from revenue budgets.

4. RISK MANAGEMENT

4.1 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.

4.2 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 management fee payable was re-profiled for the financial years 2018/19, 2019/20 and 2020/21.

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.

The related report approved by the Executive Cabinet is available via the following link (agenda item 8a) :

<https://tameside.moderngov.co.uk/ieListDocuments.aspx?CId=134&MId=3243&Ver=4>

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.

4.3 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.

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

5. CONCLUSIONS

5.1 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.

6. RECOMMENDATIONS

6.1 As set out at the front of the report.

APPENDIX 1

Risk Register at August 2019

	Risk Description	Mitigation Plan	Raw Consequence	Raw Likelihood	Raw Risk Level	Actions	Residual Consequence	Residual Likelihood	Residual 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 owing to inability to secure a 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	Comms Plan	4	4	16	Develop & deliver Comms compliant with Sports England Lottery Funding grant conditions	4	4	16
4 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 will be realised by Active Tameside beyond the project completion date for Hyde Pool.	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