

<b>Report to:</b>	<b>EXECUTIVE CABINET</b>
<b>Date:</b>	25 September 2019
<b>Executive Member/Reporting Officer:</b>	Councillor Oliver Ryan, Executive Member (Finance and Economic Growth) Councillor Allison Gwynne, Executive Member (Neighbourhoods, Community Safety and Environment) Jeanelle de Gruchy, Director of Population Health
<b>Subject:</b>	<b>ACTIVE MEDLOCK PITCH SCHEME - FULL BUSINESS CASE</b>
<b>Report Summary:</b>	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. This report follows the approved business case template and seeks approval to proceed.
<b>Recommendations:</b>	That the Council approves the inclusion of £0.120m in the approved Capital Programme for the replacement of pitch surfacing at Active Medlock ensuring full compliance with any financial, contractual or procurement requirements of the Council and any legal requirements.
<b>Corporate Plan:</b>	The Community Strategy 2012/22 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'
<b>Policy Implications:</b>	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.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	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. On 27 March 2019, following a Capital prioritisation exercise, Executive Cabinet earmarked a sum of £0.120m for the Active Medlock Pitch scheme, subject to a full business case. Section 5 of this report sets out a breakdown of the required capital investment of £0.120m. The Council will not be required to upgrade the facility in the future. The requirement for the operator to resurface the pitches will be set out in the new facility lease which will come in to effect from 1 April 2024. It is the intention to establish a full repairing lease moving the current liability from the Council to the Operator. There would be no negative VAT implications for the Council if this scheme is approved and added to the Capital Programme.
<b>Legal Implications:</b>	It is important to manage the Council's leisure offer effectively to ensure it provides value for money and properly supports the

**(Authorised by the Borough Solicitor)**

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 a 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.

Officers should be mindful of the ownership and control of the Council's estate portfolio when agreeing to carry out works on sites which are occupied, run and maintained by third parties (in this case Active Tameside) as there needs to be clear agreement as to who maintains and how it is financed.

The officers undertaking this project need to ensure full compliance with any financial, contractual or procurement requirements otherwise there may be disciplinary/personal liability consequences.

**Risk Management:**

Contained within the main body of the report.

**Background Information:**

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



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## **1.0 EXECUTIVE SUMMARY**

### **Proposed Investment**

- 1.1 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.
- 1.2 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 agreed to be progressed to the business case stage. Further governance is required in order for the scheme to progress. This report follows the approved business case template.

### **Options for Investment**

- 1.3 There are three options to consider; Option 1 - Do nothing, Option 2 - delay by undertaking additional repair work and Option 3 - replace the pitch surfacing at a cost of £0.120m.

Option 3 is recommended for approval.

### **Project Delivery**

- 1.4 Delivery of the Medlock scheme is time critical – the installation must take place at the end of summer to prevent premature closure of the pitches due to their poor condition and end of summer is the optimum time to install pitches such as this due to likely delays caused by wet weather later in the year. The synthetic turf pitch replacement at Active Medlock is considered to be low risk. The scheme is essentially replacing a carpet on a like for like basis with only minor drainage checking. Generally an installation such as this comes with an insurance backed 8 year defect warranty.

### **Financial Investment Required**

- 1.5 That the Council approves the inclusion of £0.120m in the approved Capital Programme for the replacement of pitch surfacing at Active Medlock as detailed in this report.

### **Exit Strategy and Revenue Consequences**

- 1.6 Once the pitches have been completed they will be handed over to Active Tameside to manage and maintain. The pitches currently generate an annual surplus of £0.042m which contributes towards the annual budget of Active Tameside. If the pitches cease to operate the surplus would not be realised, resulting in adverse budgetary impact. A new facility will generate additional income due to demand in the locality. The additional income will be used to generate a sinking fund which will be used by Active Tameside, or the incumbent operator, to replace the pitches in approximately 10 years' time. The Council will not be required to upgrade the facility in the future. The requirement for the operator to resurface the pitches will be set out in the new facility lease which will come in to effect from 1 April 2024. It is the intension to establish a full repairing lease moving the current liability from the Council to the operator.

### **VAT Implications**

- 1.7 Finance Officers have confirmed that there is no direct income generated for/by the Council. Consequently the Council can recover the VAT on the capital expenditure and there is no impact on the Council's partial exemption position.

### **Project Management and Monitoring**

- 1.8 The project will be managed and monitored by the Investment and Development, Capital Projects Team. If approved, regular updates will be included in the Leisure Investment Programme report to SPCMP.

## 2.0 PROPOSED INVESTMENT

### Background and Existing Arrangements

- 2.1 Active Medlock is one of nine sport and leisure facilities managed by Active Tameside on behalf of the Council. The facility is leased to Active Tameside until the end of March 2024. Under the terms of the lease Active Tameside is responsible for minor repairs and maintenance with the landlord (the Council) being responsible for major plant replacement and structural repair. However, the requirement for the operator to resurface the pitches in the future will be set out in the new facility lease which will come in to effect from 1 April 2024. It is the intention is to establish a full repairing lease moving the current liability from the Council to the Operator.

### Introduction

- 2.2 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.
- 2.3 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 agreed to be progressed to the business case stage. Further Governance is required in order for the scheme to progress. This report follows the approved business case template.

### Why are we proposing to do this?

- 2.4 The Council and Active Tameside have a duty of care to the users of the leisure estate. Consequently, if the pitches become unsafe to operate then they will be taken out of use.
- 2.5 There is a statutory duty on local authorities to address health inequalities.
- 2.6 The pitches generate an annual surplus for Active Tameside of £0.042m which contributes towards the annual budget of Active Tameside. If the pitches cease to operate then the surplus would resulting in adverse budgetary impact.
- 2.7 Investment in Sport and Physical Activity is an 'invest to save' opportunity, which directly impacts upon the health and wellbeing of the local population and reduces the demand for more costly health and social care services. The loss of the pitches will result in significant displacement of users estimated to be an average of 550 visits per week (data supplied by Active Tameside). The displacement will inevitably result in a reduced number of people participating in regular physical activity.

### Existing Funding Arrangements

- 2.8 Tameside Council currently commissions Active Tameside, a registered charity, to operate 9 sport and leisure facilities and a community physical activity and wellbeing programme. An annual management fee is paid to Active Tameside to deliver public benefit and health outcomes, in keeping with its charitable objectives, with all surplus revenues reinvested into services and facilities. Active Tameside delivers a wide range of leisure facility and community-based services that generate participation in physical activity and sport to improve health and wellbeing, predominantly in the Tameside area but also with partners across Greater Manchester. The current contract and funding agreement runs until 31 March 2024 and is co-terminus with the lease to operate Tameside Council's leisure assets.
- 2.9 The original installation was part funded by the Football Foundation back in 2000. Discussions have been held with the Football Foundation but they are unwilling to financially support the resurfacing of the pitches.

- 2.10 The Council has a revenue budget to support the delivery of landlord responsibilities in the leisure estate. This budget current stands at £0.100m per annum. This budget has been fully spent in previous years and will be fully spent this year on a strategic repair backlog.

#### **Options not Considered**

- 2.11 All options have been considered including: Do nothing, lower cost scheme and full scheme.

#### **Low Cost Options**

- 2.12 As set out in section 3 of this report.

#### **Business Needs / Council Policies, Strategies and Plans**

- 2.13 Local authorities have a central role to play when it comes to the provision of community sport and recreation facilities and are responsible for the health outcomes for their populations – as specified in the Public Health Outcomes Framework. As part of the health reforms brought in by the Health and Social Care Act 2012, local authorities have a duty to take such steps as they consider appropriate for improving the health of the people in their area. The steps listed in legislation include:

- Providing information and advice
- Providing services or facilities designed to promote healthy living
- Providing services or facilities for the prevention, diagnosis or treatment of illness
- Providing assistance to help individuals to minimise any risks to health arising from their accommodation or environment
- Making any other services or facilities available

- 2.14 This scheme supports the Tameside Corporate Plan and specifically the priority pertaining to reducing physical inactivity. Investment in Sport and Physical Activity is an 'invest to save' opportunity which directly impacts upon the health and wellbeing of the local population and reduces the demand for more costly health and social care services. Physical inactivity is the fourth leading cause of many of the most significant health problems in the UK today and 1 in 6 premature deaths are directly attributable to inactivity. A wide body of research from within the UK and internationally unequivocally identifies that investment in encouraging and enabling participation in physical activity is a cost effective method of increasing population health and reducing avoidable demand and expenditure.

#### **Spending Objectives**

- 2.15 The successful outcomes can be summarised as below:
- Maintain the subsidy provided, in the form of a Management Fee, for the operation of the Council's leisure facilities. For reference, the surplus generated by the pitches is £0.042m.
  - Reduce or eliminate the Council's short and medium term liabilities associated with the maintenance of the leisure centre estate.
  - Reduce the risks associated with the sustainability of the operator.
  - Further develop the Tameside physical activity 'offer' to deliver significant sustained health outcomes for the borough where it is most needed.
  - Continue to offer a safe, high quality and high impact sports and leisure provision supporting up to 550 visits per week.
  - Opportunity to generate further surpluses to create a sinking fund to replace the surfacing in circa 10 years' time.

#### **Risks**

- 2.16 There are a number of risks associated with not progressing with the scheme;
- Inability to maintain or reduce the management fee paid to Active Tameside.
  - Lack of improvement to physical inactivity targets and achievement of associated health outcomes

- Reputational damage to the Council – the closure of the facility will result in the displacement of a large number of clubs – (the displacement of 550 visits per week on average).
- Ongoing financial risk to the operator – no cash reserves. Inability to realise opportunities to generate additional income.

### **Scope**

- 2.17 The pitch surfacing at Active Medlock is worn out and needs to be replaced. The existing drainage infrastructure and existing floodlights are in a good state of repair. The fencing requires some minor works but this will be undertaken by contractors appointed and paid for by Active Tameside.

### **Constraints**

- 2.18 The site will need to be taken out of use for a 4 week period. The loss of income experienced during this period will be met by Active Tameside. Active Tameside will give full and unfettered access to the site.

### **Dependencies**

- 2.19 None

## **3.0 OPTIONS FOR INVESTMENT**

### **Do Nothing**

- 3.1 **Summary** – if the pitch surfacing isn't replaced then the pitches will close for health and safety reasons.

- 3.2 **Benefits** - there are no perceived benefits other than reducing the funding pressure on the approved capital programme.

- 3.3 **Risks** – the risks associated with the do nothing option are as follows:

- Inability to maintain or reduce the management fee paid to Active Tameside.
- Lack of improvement to physical inactivity targets and achievement of associated health outcomes.
- Ongoing financial risk to the operator – no cash reserves. Inability to realise opportunities to generate additional income. Reputational damage to the Council – the closure of the facility will result in the displacement of a large number of clubs (the displacement of 550 visits per week on average).

- 3.4 **Cost** – the pitches currently generate an annual surplus of £0.042m. This will not be realised if the pitches temporarily or permanently close.

- 3.5 **Wider Impacts** - As set out in 3.1.2

### **Option Two**

- 3.6 **Summary** – undertake repair work to extend the life of the synthetic pitch surfacing in order to delay its replacement.

- 3.7 **Benefits** – would reduce the initial capital spend requirement.

- 3.8 **Risk** – the pitches are well beyond their design life and ongoing repairs have become uneconomical. Repairs would only delay the replacement by approximately 1 year. Repeated closure for repair would lead to customer displacement and dissatisfaction.

### **Cost**

- 3.9 £0.020m

### 3.10 Option Three

**Summary** – undertake the synthetic turf replacement at a capital cost of £0.120m.

3.11 **Benefits** - the Council and Active Tameside has a duty of care to the users of the leisure estate. Consequently, if the pitches become unsafe to operate then they will be taken out of use. There is a statutory duty on local authorities to address health inequalities. The pitches generate an annual surplus for Active Tameside of £0.042m which contributes towards the annual budget of Active Tameside. If the pitches cease to operate the surplus would not be realised resulting in adverse budgetary impact. Investment in Sport and Physical Activity is an ‘invest to save’ opportunity which directly impacts upon the health and wellbeing of the local population and reduces the demand for more costly health and social care services. The loss of the pitches will result in significant displacement of users estimated to be an average of 550 visits per week (Data supplied by Active Tameside). The displacement will inevitably result in a reduced number of people participating in regular physical activity.

3.12 **Risks** – there is a risk that the tender prices will come in higher than the stated budget request. The sister facility at Active Copley was replaced 3 years ago from which the current estimate of cost has been derived with an inflationary uplift.

#### **Costs**

3.13 The cost of this option is approximately £0.120m.

## 4.0 PROJECT DELIVERY

### 4.1 Procurement Plan and Timescales

If approved the process and timeline will be as follows:

Tender work on the Chest (4 weeks)	September 2019
Appoint contractor and mobilise	September 2019
Installation	October/November 2019
Handover	November 2019

## 5.0 FINANCIAL INVESTMENT REQUIRED

### 5.1 Financial Case

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
<b>Recurrent budget</b>						
	£0.100m	£0.100m	£0.100m	£0.100m	£0.100m	
<b>One-off investment (capital)</b>						
Pitch Installation	£0.092m					£0.092m
Consultant	£0.015m					£0.015m
Contingency	£0.015m					£0.015m
Fees @ 10%	£0.011m					£0.011m
Total	£0.120m					£0.120m
<b>VAT impact</b>						
		£0.00m				
<b>Savings</b>						
		£0.00m				
<b>Income Generation</b>						
Existing Surplus		£0.042m	£0.042m	£0.042m	£0.042m	
Additional Surplus		£0.010m	£0.010m	£0.010m	£0.010m	
Total		£0.052m	£0.052m	£0.052m	£0.052m	

- 5.2 The additional surplus of £0.010m per year will be set aside by Active Tameside as a sinking fund to replace the pitch is circa 10 years' time.

## **6.0 EXIT STRATEGY AND REVENUE CONSEQUENCES**

- 6.1 Once the pitches have been completed they will be handed over to Active Tameside to manage and maintain. The pitches currently generate an annual surplus of £0.042m which contributes towards the annual budget of Active Tameside. If the pitches cease to operate the surplus would not be realised resulting in adverse budgetary impact. A new facility will generate additional income, as set out in table 5.1, due to demand in the locality. The additional income will be used to generate a sinking fund which will be used by Active Tameside, or the incumbent operator, to replace the pitches in an estimated 10 years' time. The Council will not be required to upgrade the facility in the future. The requirement for the operator to resurface the pitches will be set out in the new facility lease which will come in to effect from the 1 April 2024. It is the intension to establish a full repairing lease moving the current replacement liability from the Council to the operator.

## **7.0 VAT IMPLICATIONS**

- 7.1 Finance Officers have confirmed that there is no direct income generated for / by the Council. Consequently the Council can recover the VAT on the capital expenditure and there is no impact on the Council's partial exemption position.

## **8.0 PROJECT MANAGEMENT AND MONITORING**

- 8.1 The project will be managed and monitored by the Investment and Development Capital Projects Team. If approved, regular updates will be included in the Leisure Investment Programme report to SPCMP.