

<b>Report to:</b>	<b>BOARD</b>
<b>Date:</b>	25 November 2019
<b>Executive Member/ Reporting Officer:</b>	Councillor Oliver Ryan - Executive Member (Finance & Growth) / Jeanelle de Gruchy, Director of Population Health.
<b>Subject:</b>	<b>LEISURE ASSETS CAPITAL INVESTMENT PROGRAMME</b>
<b>Report Summary:</b>	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.
<b>Recommendations:</b>	That members note the content of this report.
<b>Corporate Plan:</b>	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'
<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: (Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	<p><b>Proposed Floodlight Replacement Scheme</b> A report outlining a £0.1m investment to replace the floodlights was approved on 24 July 2019 at Executive Cabinet. 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. The work will be carried out by the Council's Engineering department. The club is funding the project from their own resources along with a successful Sport England Grant and a small revenue contribution from the Council. 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. Work began on site in September 2019 with work scheduled to be completed in December 2019.</p> <p><b>Tameside Wellness Centre, Denton</b> – The scheme value is £16.224m. It should be noted a drawdown of the Sport England grant was made in September 2019 as detailed in section 3.9.</p> <p>An additional contingent budget of £0.150m which was detailed in the Period 3 Capital Monitoring report was approved by Executive Cabinet on 25 September 2019. The additional costs are the building works for the Tameside Wellness Centre Car Park facility including the Pay and Display infrastructure. 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.</p>

### **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 capital budget for the scheme, approved by Executive Cabinet on the 25 September, has been increased by £0.570m in the approved capital programme from £3.464m to £4.034m. The LEP will now progress the scheme.

### **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 5 of this report

### **Background Information:**

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

 Telephone: 0161 342 2623

 e-mail: [Nicola.turner1@tameside.gov.uk](mailto:Nicola.turner1@tameside.gov.uk)

## 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:
  - 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

- 3.1 **Active Hyde Pool Extension (£4.034m)** The Hyde Pool extension scheme is being procured and managed by the LEP on behalf of the council. The scheme comes with a significant degree of risk and complexity as the project involves extending an existing "leisure pool" facility that is 35 years old. The complexity and risk associated with the project has resulted in two contractors withdrawing at the last minute, the first for unspecified reasons and the second due to concerns about the general local construction market and a change in approach to risk within the company. This has resulted in the need to retender the project again and has caused further delays. The most recent tender exercise has been concluded by the LEP. The outcome has resulted in a significant cost increase.
- 3.2 The LEP has worked hard to keep costs under control. However, the cost increases experienced in the latest tender exercise have been attributed by the contractors due to general construction inflation and the volatility of sub-contractor pricing, particularly from mechanical and electrical contractors who appear to be increasing their prices and the increasing cost of steel. In addition, main contractors are reviewing their approach to risk when pricing projects, which is also generally increasing construction costs.
- 3.3 The capital budget for the scheme, approved by Executive Cabinet on the 25 September, has been increased by £0.570m in the approved capital programme from £3.464m to £4.034m. The LEP will now progress the scheme to contract signing. The programme is

yet to be confirmed but the target start date is early January 2020 with the scheme taking approximately 12 months to complete.

- 3.4 **Active Hyde Wave Machine Replacement (£0.060m)** – Works to the Wave Machine are continuing and will be completed this financial year. The budget will be fully spent in 2019/20.
- 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. The funds from Sport England will be drawn-down as follows:

Anticipated Draw-Down Date	Value	Comments
September 2019	£1,000,000	Funds received by the Council from Sport England
February 2020	£455,000	Draw-Down at Practical Completion
February 2021	£45,000	Draw-Down at retention release.

- 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, was approved by Executive Cabinet on the 27 March 2019. 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 matter will be dealt with through the normal asset disposal procedures.
- 3.11 The Wellness Centre fit out is to be funded by Active Tameside from grant provided by the Council at an approved value of £1.05m.
- 3.12 **Active Medlock Synthetic Turf Pitch Replacement (£0.120m)** – 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. 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. The inclusion of £0.120m in the approved Capital Programme for the replacement of pitch resurfacing at

Active Medlock was approved by Executive Cabinet on the 25 September 2019. The works have been tendered and will be completed in year.

- 3.13 **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.
- 3.14 Approval to progress with the floodlight scheme was agreed by Executive Cabinet on the 24 July 2019. Work began on site in September 2019 with work scheduled to be completed in December 2019.

#### 4. PROGRAMME UPDATE

- 4.1 **Active Ashton (Ashton Pool)** - Active Ashton is in poor condition and requires a condition survey. 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 establish an option paper for further consideration.

#### 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**

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

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 October 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	9	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 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