

REPORT TO EXECUTIVE COMMITTEE

Date of Meeting: 7 April 2020

REPORT TO COUNCIL

Date of Meeting: 21 April 2020

Report of: Director

Title: Move More Physical Activity Strategy: Built Facilities Strategy Capital Requirement

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 This report proposes a capital fund to offer the potential for the new Leisure Operator to borrow funds to meet their obligations under the new Leisure Operator Contract, which will be awarded on full repairing leases.
- 1.2 This will include a borrowing facility for the fit out of the new leisure centre at St Sidwell's Point should the future operator require prudential borrowing for this purpose given the impact on the sector of the unfolding Coronavirus pandemic
- 1.3 The report also sets out a further requirement for a capital budget to address structural problems at the Riverside Leisure Centre in order to complete the project; and a revenue budget to undertake the next stage of developing a detailed business case for the future provision of leisure at Wonford and Exeter Arena sites.
- 1.4 These proposals are in response to the strategic priorities set out in the Move More Physical Activity Strategy (Built Facilities) report agreed by Council in July 2019.

2. Recommendations:

- 2.1 It is recommended that Council:
 - 2.1.1 Delegates authority to the Chief Financial Officer to create a capital loan fund of up to £10 million to offer the potential for the new Leisure Operator to borrow funds to meet their obligations under the new Leisure Operator Contract due to commence on September 29th 2020. This will include the potential to borrow funding from the Council for the fit out of the new leisure facility at St Sidwell's Point. This is expected to be cost neutral for the Council and would be subject to loan agreements;
 - 2.1.2 Establishes an additional capital budget of up to £2 million to address the increase in costs of the current refurbishment and the lifecycle replacement cost of the sports hall roof within the current the Riverside Leisure Centre refurbishment programme;

2.1.3 Establishes an additional revenue budget of £150,000 to complete the production of detailed business cases for the future provision of a Community Sports Village and Swimming Pool at the Exeter Arena site; and

2.1.4 Delegates authority to the Chief Executive, in consultation with the section 151 Officer (or Deputy), to give final approval to proceed once the Council's financial position is secure.

3. Reasons for the recommendation:

3.1 This report addresses those issues, which are essential to provide certainty to potential bidders for the new operator contract and to continue with plans to address current structural deficiencies within the leisure portfolio

4. What are the resource implications including non-financial resources.

4.1 In addition to the specific financial resources being proposed in this report there are a number of assumptions in relation to the high level financial strategy which will need to be reviewed as each Full Business case is brought forward. These include:

- Capital funding from the sale of identified leisure sites: Clifton Hill Sports Centre and Pyramids Swimming Pool and Leisure Centre.
- Capital funding directly from residential development opportunities at specific sites is channelled directly towards new facilities at Wonford and Exeter Arena.
- Designated funding from Section 106 and Community Infrastructure Levy (CIL) to be directed at priority built facility, playing pitch, play area and parks & green spaces projects. Specific flagship programmes to be highlighted in the CIL Regulation 123 list.
- Council funding to be used to attract strategic finance from external stakeholders such as Sport England and Sport National Governing Bodies.
- Revenue from the provision of services on the leisure sites will need to, at a minimum, generate sufficient revenue to cover the cost of any capital borrowing for the developments.

5. Section 151 Officer comments

5.1 Section 8.16 of the Chief Finance Officer's General Fund / HRA Estimates and Capital Programme 2020/21 report considered by Council on 25th February 2020, stated that there are a number of issues which have not been included in the budget, but will require further consideration by Council and that a further report to Council would be forthcoming. This report addresses those issues, which are essential to provide certainty to potential bidders for the new operator contract and to continue with plans to address current structural deficiencies within the leisure portfolio.

5.2 There are a number of reports requesting additional funding on the Agenda. The Section 151 Officer notes the importance of each request for funding. That being said, it is important to highlight the cumulative effect on the Council's overall financial position. If all capital schemes are approved, this will add £234,820 to the reductions required (£3.7m). The cost for each of the scheme is set out below.

Capital scheme	Capital Cost	Useful Life	Additional annual revenue
-----------------------	---------------------	--------------------	----------------------------------

		(yrs)	cost
P&GS Anti intrusion	£112,000	20	£7,050
Riverside roof	£2,000,000	50	£72,930
C&Q MSCP repairs	£3,900,000	50	£142,220
Corn Exchange roof	£250,000	50	£9,120
Exmouth Buoy Store roof	£95,000	50	£3,500
	£6,357,000		£234,820

5.3 Whilst it is important to ensure that the Council is in a position to start working quickly once the Coronavirus restrictions are lifted, it is imperative that Council note the delegated authority recommendation exists to ensure that the Chief Executive and Chief Finance Officer are confident in the strength of the Council's financial position. It is highly likely that this will require Government support to ensure that the loss of income faced during the restrictions will not force service reductions to be made by the Council rather than important investments in our assets.

5.4 The one off cost of the Business Case will be funded from General Fund reserves, subject to recommendation 2.1.4 above.

6. What are the legal aspects?

6.1 Any loans will need to be subject to formal loan agreements.

7. Monitoring Officer's comments:

7.1 In order to protect the Council's interest, it is essential that any prudential borrowing arrangements are set out in loan agreement with clear terms and conditions ensuring the arrangements are cost neutral to the Council

8. Report details:

8.1 In July 2019 the Council adopted the "Exeter Live Better and Move More Built Facilities, Playing Fields, Pitches, Play Areas, Parks and Green Spaces Report"

8.2 The agreed strategy intentions referred to in this paper include:

- A. The need to replace outdated facilities and modernise and refurbish some sites to improve quality, accessibility and variety to support and encourage increasing participation, particularly amongst the most inactive groups
- B. Fully re-open Riverside Leisure Centre and Swimming Pool with a new roof, health spa and pool and funding to ensure a rolling programme of refurbishment with a long term building replacement plan developed to ensure sustainability.
- C. Bring forward an outline business case for the redevelopment of the Exeter Arena and ISCA Centre into a Community Sports Village
- D. Prioritise plans to provide for a new and improved community swimming pool to replace the ageing Northbrook Pool to be taken forward as part of the developments on the Exeter Arena site.

8.3 The Council is currently in the process of undertaking a competitive tender process to secure a new operator for its Built Leisure Facilities. Recommendations on a new supplier will be made in August 2020 with the new 10 year contract commencing on 29th September 2020.

- Pyramids Swimming Pool and Leisure Centre (until March 2021)
- St Sidwell's Point Swimming Pool and Leisure Centre
- Riverside Swimming Pool and Leisure Centre
- Wonford Sports Centre
- Exeter Arena and ISCA Centre

8.4 The new contract will, for the first time, include full repairing leases on the buildings which means the operator has sole responsibility for the maintenance and upkeep of the interior and exterior fabric of the buildings. In order for the new operator to be able to meet their obligations under the new Leisure Operator Contract, it is proposed that a capital fund is established which will enable the Council to offer the potential for the new Leisure Operator to borrow funds from the Council. This approach is a model of good practice amongst within the sector and should be cost neutral to the Council. Without such a fund there is a risk that, given the age of some of the facilities without a prudential borrowing facility, it may be more difficult to secure an operator.

8.5 In 2019 Council allocated capital for the refurbishment of the Riverside Swimming Pool and Leisure Centre. The refurbishment is proving extremely complex and a considerable design and technical challenge. A final costed and timed programme is still under development as several options put forward by designers have been rejected due to their potential cost and timeframes. This review process is nearing completion and every effort is being made to ensure the programme comes in line with the existing budget there is a likelihood that further funds will be needed to complete the works. Additionally, given the time the refurbishment will take to complete, there is a strong argument for including the lifecycle replacement of the Sports Hall Roof into the current programme. This is estimated additional capital cost is in the region of £2 million.

8.7 Outline plans, in line with the proposal set out in the July 2019 strategy now need to be consulted upon and developed into full business case for the Council to consider later

in the year. There is a significant opportunity to draw down external funds for some aspects of the future developments but in order to be able to do this a full costed business case is required. Delaying this process will increase the risk that the aging Northbrook Swimming Pool becomes unviable and may close before a replacement is built. There is a need for external expertise to assist in this and a revenue budget of £150,000 is being requested.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The decisions will contribute to the 2018/21 Corporate Plan objectives of:

- Building Great Neighbourhoods
- Promoting Active and Healthy Lifestyles
- Providing value for money services
- Leading a well-run council

10. What risks are there and how can they be reduced?

10.1 There is a significant risk that the Leisure Asset portfolio will deteriorate to such an extent that further closures will be required.

10.2 There is a risk that bidders will either have to fund higher interest payments to maintain our assets, resulting in lower bids for the contract or that they choose not to bid as they will be uncertain about their ability to access credit.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because this report is about securing the funding to maintain facilities and development plans for new ones and each individual business case will consider equalities impacts.

12. Carbon Footprint (Environmental) Implications:

12.1 There are no direct carbon/environmental impacts arising from these recommendations.

13. Are there any other options?

13.1 No other options have been identified.

Director: Jo Yelland

Author: Jo Yelland

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

- “Exeter Live Better and Move More Built Facilities, Playing Fields, Pitches, Play Areas, Parks and Green Spaces Report” July 1920;
- Chief Finance Officer’s General Fund / HRA Estimates and Capital Programme 2020/21 report to Council February 2020.

Contact for enquires:

Democratic Services (Committees)

Room 4.36

01392 265275