

REPORT OF: FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

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**REDEVELOPMENT OF PENDLE LEISURE CENTRE
LOAN TO PENDLE LEISURE TRUST**

INTRODUCTION

1. The purpose of this report is to outline proposals on behalf of Pendle Leisure Trust for the redevelopment of Pendle Leisure Centre in Colne and seeks the agreement of the Executive for a loan to the Trust to finance the development.

RECOMMENDATIONS

2. The Executive is recommended to:
 - (a) consider and support the proposal from the Trust for the redevelopment of Pendle Leisure Centre in Colne, and
 - (b) endorse the request from the Leisure Trust for a loan of up to a maximum of £0.5m to finance the project;
 - (c) subject to (b) above, recommend to Council that a supplementary capital estimate of £0.5m be approved in the current year in support of the project and,
 - (d) delegate authority to the Financial Services Manager to agree the terms of the loan with the Leisure Trust.

REASONS FOR RECOMMENDATION

3. To facilitate the redevelopment of Pendle Leisure Centre and provide funding to the Trust to complete the scheme as part of a wider set of proposals to help reduce the annual management fee payable by the Council.

ISSUE

Background

4. In the current financial year the Council paid a management fee to the Trust of £1.426m for the delivery and management of leisure and recreation services across the Borough. The fee represents one of the Council's 'big four' items of expenditure in addition to Liberata, Waste Services and Grounds Maintenance. As a result it is important that the Council works together with the Trust to explore the scope for the Trust to contribute to the savings the Council has to find each year to balance the revenue budget.
5. For 2018/19, the Council has a projected savings requirement of £1.2m with the sum of £150,000 expected from the Leisure Trust. Initial proposals to deliver this level of savings were developed by the Trust and presented to a meeting of the Council's Budget Working Group in August. Included in these was a proposal to redevelop the Pendle Leisure Centre in Colne. Relevant extracts from the Minutes of the Budget Working Group meeting are reproduced below:

AGREED

- (1) That the savings proposals for the Pendle Leisure Trust be noted.
- (3) *That, officers hold further discussions with the Leisure Trust regarding the plans for the redevelopment of Pendle Leisure Centre Trust and the timescales in which a decision by Council was required.*
6. The remainder of this report focuses on the proposal from the Leisure Trust to redevelop Pendle Leisure Centre in Colne and the implications for the Council.
7. The scheme proposed by the Trust involves the conversion of the four court sports hall into a Children's Soft Play Area in three-quarters of the hall with the remaining quarter converted into a Fitness / Dance Studio. In addition, the current sports hall store will be converted into two party rooms. The scheme allows for a café which will predominately serve the Soft Play Area in addition to the rest of the facility. The project also includes a complete refurbishment of the existing dry side changing rooms and reception. An Architect's drawing of the ground floor layout is provided at [Appendix A](#).
8. The scheme as proposed has the support of the Trust Board. The Board gave approval to the scheme at a meeting in September. The total cost of the scheme is £511,600 broken down as follows:-
 - Building Works £296,600 (including fees)
 - Play Structure £150,000
 - Café Fit Out £ 65,000
9. The above cost includes c£70k to refurbish the existing reception and changing rooms. As landlord, the Council would ordinarily fund this element of work from its own capital programme budget and this is the intention with this scheme should it be approved. The building works element has been tendered already with prices obtained from three contractors. The Trust has also identified a project manager for the scheme. All this is subject to the scheme receiving support from the Council together with approval for the provision of loan finance.

10. To advance to this stage the Trust has incurred some up-front costs (e.g. design) which it will have to stand should the scheme not go ahead. The Trust has asked for a decision by the Council during October so that it can, if agreed, complete the project by the end of January, a prime time for soft play usage.
11. The Trust has shared their income and expenditure projections for the first five years of the project. These show a surplus after capital costs of £26,760 in the first year. The Trust view these projections as extremely cautious and expect them to be exceeded drawing on experience of similar schemes elsewhere. They highlight the recent example of such a facility developed by the leisure trust in Hyndburn and some Councillors had the opportunity to attend a site visit to the facility in advance of this Executive meeting.
12. The assumptions on which the Trust's projections are based have been shared with the Council and subjected to review. Clarification was sought on a number of points with additional information provided by the Trust in response. On balance, the proposals appear reasonable and the recommendation of your officers is that the Council should support the project. As with all projects of this type there is an element of risk and uncertainty but the Trust is confident that the scheme will succeed and if this is confirmed it will, amongst other things, lead to a reduction in the Council's annual management fee.
13. Dependent on approval, the Trust management has been looking at the current usage / hires in the sports hall to determine what they can relocate to Primet High School (evening use) and West Craven Sports Centre (day time use), along with Fitness Classes that will need relocating into the new Fitness / Dance Studio. In addition, what hires / organisations they cannot accommodate. It may not be possible to cater for all current users in any revised arrangements and some displacement may result from this proposal leaving some existing centre users dissatisfied with the proposed arrangements.
14. The Trust requires a loan from the Council to fund the scheme. At this time the precise loan amount is not yet known pending confirmation of all cost elements including those which would normally be met by the Council from its own resources as landlord for the building. For this purpose, approval is requested for a loan not exceeding £500,000 together with delegated authority for the Financial Services Manager to agree the loan terms with the Leisure Trust. Previous loans to the Trust have been granted on terms linked to rates set by the Public Works Loan Board and this will apply to the new loan if agreed.
15. If a loan advance is agreed it will represent capital expenditure by the Council. As a result it will be necessary to approve a supplementary capital estimate and this will require the approval of Council. Consequently, if the Executive is supportive of the scheme it is requested to recommend to Council that a supplementary capital estimate of £0.5m is approved in the current financial year.

Policy

16. There are no new policy implications arising from the contents of this report. A key objective of the Council is the provision of health and leisure activities which the Trust provides and manages on behalf of the Council.

Financial

17. These are generally as outlined in the report. If the loan is agreed, the making of the loan advance represents capital expenditure to the Council. Ordinarily this would require the Council to include this expenditure in its capital financing requirement on which the annual charge to revenue for the Minimum Revenue Provision (MRP) is based. MRP is a legal requirement and is a charge to the Council's revenue budget each year.

18. However, the intention in this case, if the loan is agreed, is to set aside the repayments made by the Trust and apply these to reduce the Council's underlying debt position in lieu of making an MRP charge each year. Regulations enable the Council to voluntarily set aside loan repayments (which are capital receipts), in this way.
19. The loan to the Trust will be an annuity loan with half-yearly repayments set by reference to interest rates issued by the Public Works Loan Board. For information, interest rates for annuity loans at the time of writing this report ranged from 1.83% to 2.17% for loans between 10 to 15 years in duration. These give rise to annual repayments of between £55k and £39k on a loan of £500,000.

Legal

20. There are no legal implications arising from the contents of this report.

Risk Management

21. There are risk considerations with a project of this type. These range from procurement and cost risks to risks of the project failing to deliver the expected benefits over a sustained period. There are inevitably risks associated with this project. However, the Trust Board has considered the project and given its support. In addition Trust Management consider the assumptions and projections on which the scheme has been developed to be very cautious and likely to be exceeded favourably based on their knowledge of the activity and experience elsewhere. As a result it is felt on balance that whilst there are risks with the project it is one the Council should support.

Health and Safety

22. There are no health and safety implications arising directly from the contents of this report.

Sustainability

23. There are no sustainability implications arising directly from this report.

Community Safety

24. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

25. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A – Architect drawing showing proposed ground floor layout of Pendle Leisure Centre, Colne.