

HINCKLEY SQUASH CLUB
REPORT OF DEPUTY CHIEF EXECUTIVE – COMMUNITY DIRECTION &
DEPUTY CHIEF EXECUTIVE – CORPORATE DIRECTION

WARDS AFFECTED:

1. PURPOSE OF REPORT

- 1.1 To report on the position regarding Hinckley Squash Club, who are required to relocate as part of the Crescent Regeneration Scheme.
- 1.2 To seek Member support to the procurement arrangements set out below, in order to facilitate the delivery of a four court state of the art squash centre at Tungsten Park, Hinckley.

2. RECOMMENDATION

- 2.1 That Members note and endorse the positive progress made in securing the opportunity of a new site and premises for Hinckley Squash Club.
- 2.2 That Members approve the procurement arrangements to facilitate the delivery of the new Squash Club as set out in the report, subject to the legal agreements outlined in Section 5 of this report and subject to the advice from Pricewaterhouse Coopers LLSP on Partial Exemption as set out at the end of paragraph 4.5.
- 2.3 That Council approve the following supplementary budgets for 2014/2015:
- A capital budget of £800,000 + VAT for the capital costs associated with the build of the new Squash Club building
 - An income budget of £916,104 to represent the CPO payment received from Tin Hat Partnership
 - Removal of the current expenditure budget of £49,000 to reflect that this contribution will no longer be awarded to the Squash Club
- 2.4 That Council note that, under this arrangement, the Council will make a saving of £59,717 which will be transferred to General Fund balances to support the Medium Term Financial Strategy.
- 2.5 That Council grant delegated authority to the Chief Executive in consultation with the Leader of the Council and Lead Member for Finance, to agree the final legal agreements.
- 2.6 That the Squash Club enter in to a Management Agreement for the community use of the facility.

3. BACKGROUND TO THE REPORT

- 3.1 Following the grant of planning consent for The Crescent Regeneration Scheme on the Hinckley Bus Station Site in 2011 and the grant of Compulsory Purchase Order by the Secretary of State in 2012, negotiations have taken place with a number of owners and occupiers to facilitate their relocation. This has helped to secure a satisfactory outcome in respect of the relocation or compensation for moving off site to enable The Crescent Scheme to be developed. Formal notices have now been served on occupiers and the General Vesting Order seeking possession of the site has been served and the date for completion was 10 May 2014. This now enables

work on the Bus Station site to commence on 2 June 2014 and to be complete and open to the public in autumn 2015.

New Squash Court Centre

- 3.2 Over the last six months, discussions have been undertaken with Hinckley Squash Club and England Squash and Racket Association, to seek to secure an enhanced replacement facility on Tungsten Park, Coventry Road which could be made available for community use. The scale of the new facility (in the region of £1M) not only replaces the three court facility currently on the Bus Station site, but will provide a fourth court which will allow the centre to be used for regional competitions.

Facilitating the delivery of the new Squash Centre

- 3.3 Following an approach by Hinckley Squash Club during the autumn 2013, the Council's Executive considered a request for financial assistance up to £49,000 in grant funding to help facilitate the delivery of the four court new squash facility, subject to a Management Agreement regarding public use. As outlined in the financial implications, this funding is no longer required.
- 3.4 The Squash Club recently approached the Council with regard to a shortfall in funding arising from the rising cost of the land and construction for the new facility. Tungsten Park has, over the last 12 months, seen a significant increase in commercial interest and as a result, the majority of plots and units have been acquired. In order to help safeguard the early delivery of the new squash centre at Tungsten Park, a plan of action has been put together following a recent meeting of senior officers of the Council, representatives of Tungsten Park developers and Hinckley Squash Club. The following summarises the key components of this action:
- Hinckley Squash Club acquire the land for the construction of the new centre from Tungsten Park at a cost of £198,339 plus VAT.
 - Tungsten Park are contracted by the Council to construct and deliver the new centre following a value for money and due diligence assessment for a fixed price of £800,000 plus VAT.
 - The Squash Club take freehold ownership of the building and operate the squash club following completion of the development by early 2015.
 - The Squash Club enter in to a Management Agreement with the Council for the community use of the facility.

- 3.5 The funding for the delivery of the development will be provided from the compensation payable by the Tin Hat Regeneration Company in respect of the Compulsory Purchase Order for the Bus Station site. The Council by procuring the development, enables recovery of VAT on the construction costs which will help bridge the financial gap that the Squash Club have in securing full specification for the four court facility.

Management Agreement

- 3.6 If Members support this proposal enabling the early delivery of the new squash facility, it is proposed that this would be subject to a Management Agreement to secure community use of the centre. This would be similar to other agreements that England Squash and Racket Association have secured for Councils on similar arrangements elsewhere in the county and includes free use of the facility by the Council to host event and to work in partnership with the Council and sports clubs, to develop sustainable school club links. A key benefit of this approach is that it will continue to provide squash facilities available to the public following the closure of the existing Leisure Centre. It will also allow a more proactive approach for encouraging community use of the new facility on Tungsten Park.

3.7 Members are recommended to support this proposal.

4. **FINANCIAL IMPLICATIONS [SK]**

4.1 The total **fixed** development cost for the new facility (including the land) has been agreed with Tungsten Park at £1,198,007 as outlined in the table below.

	Net Cost	VAT	Total
	£	£	£
Land	198,339	39,668	238,007
Building	800,000	160,000	960,000
Total	998,339	199,668	1,198,007

4.2 The land required for the development will be purchased directly by the Squash Club using internal finances of £110,000 and £130,387 of the CPO compensation from the Tin Hat Partnership. Given the value of the land, the Squash Club will be liable for Stamp Duty Land Tax (SDLT) of £2380, at 1%.

The construction cost of the new building will be met by Hinckley and Bosworth Borough Council, using the remainder of the Compulsory Purchase Order payment (£800,000 + VAT) made by Tin Hat Partnership. VAT of £160,000 will be paid on the value of the building however will be reclaimed by HBBC by rights of VAT registration.

4.3 As outlined in 3.3, by structuring the funding of the development in this manner, the Club would no longer require the £49,000 grant funding from the Council as previously agreed and budgeted for. This effectively is therefore a saving for the Council.

4.4 In addition, there will be a surplus generated of £10,717 which the Council will retain to cover the cost of administrating and managing this arrangement.

4.5 On the basis of the above therefore, the Council will make a net saving against the current budget of £59,717. This amount will be transferred to General Fund balances to support the Medium Term Financial Strategy.

	Cost	VAT	Total
	£	£	£
Building	800,000	160,000	960,000
VAT reclaim	0	160,000	-160,000
Total cost	800,000	0	800,000
Funded by:			
Compulsory Purchase Receipt			785,717
Squash England Grant			<u>25,000</u>
			810,717
Management fee retained by the Council			<u>-10,717</u>
			<u>£800,000</u>

With regards to VAT, the Council is required to adhere to “partial exemption limits”. Partial exemption is based on the principle that VAT incurred on expenditure that relates to the generation of VAT-exempt income is not recoverable. However, if such exempt-attributable VAT incurred is ‘insignificant’, it can still be recovered. For a local authority, HMRC consider ‘insignificant’ to mean less than 5% of all VAT incurred. A local authority is permitted to exceed this limit so long as this limit is not surpassed **on average** over a 7 year period. External advice has been obtained from PricewaterhouseCoopers LLP that this threshold will not be breached based on calculations and forecasts for the relevant period.

- 4.6 In order to establish budgets for these transactions, the following supplementary budgets are requested for approval in line with financial procedure rules:
- A capital budget of £800,000 + VAT for the capital costs of the work. This will be treated as “Revenue Expenditure Funded by Capital Under Statue” (REFCUS) as the asset will not belong to the Council upon completion
 - An income budget of £916,104 to represent the CPO payment received
 - An income budget of £10,717 for the management fee.
 - Removal of the current expenditure budget of £49,000 to reflect that this contribution will no longer be awarded to the squash club

5. **LEGAL IMPLICATIONS (EH)**

In relation to the Council’s ability to act it has the power of general competence under the Localism Act 2011. In addition there is the power under the Local Government Act 2000 to give financial assistance where it promotes the economic, social or environmental well being of the Borough. In the absence of any specific prohibition the Council therefore has sufficient power with which to act.

There will need to be robust series of contractual arrangements in place, including:

- A Construction Agreement between the Council and the Contractor for the construction of the building. The requirements of the Financial Procedure rules will need to be waived in order to allow the Council to contract with the identified Developer without contravening them.

The current version of the Construction Contract has been provided to the Council and it should be noted that the figure payable for construction is fixed, with no provision for variance other than where a change is requested to the development by the Squash Club. The agreement between the Council and the Squash Club should limit this in order to limit the construction costs to the total sum of the CPO monies due to the Squash Club.

- An agreement governing the procurement service between the Squash Club and Council which should ensure that any liabilities which may fall to the Council under the Development Agreement are indemnified against in the agreement with the Squash Club.
- Subject to final Legal advice on this point, an agreement between the Council and the Squash Club to ensure none of the arrangements affects the CPO payment being in full and final settlement and that we properly document the purposes for which the Council receives the CPO monies – including those received to date by the club. This will need to be in place prior to any payment of compensation under the GVD as the compensation is due to the Squash Club and this will ensure that there is no possibility of any further claims of compensation at a future date.

- An agreement to secure public use of the squash club. This may be incorporated in the agreement with the Squash Club or secured via a stand alone agreement, however it is requirement of England Squash and Racket Association's funding offer in any event

Members should also be aware of the requirements under the Contract Procedure Rules which will need to be complied with, as there is no ability to waive their application. Negotiation will need to be undertaken in relation to the current form of Construction Contract provided to the Council.

The Council will not, at any point, acquire or hold any asset or any right over the land or the buildings. The agreements are for a service provision only.

6. **CORPORATE PLAN IMPLICATIONS**

- 6.1 This report supports the Corporate Plan objective for regenerating the economy and improving physical activity of residents in the Borough.

7. **CONSULTATION**

- 7.1 Discussions have been held with key stakeholders, including Hinckley Squash Club and England Squash and Racket Association.

8. **RISK IMPLICATIONS**

- 8.1 The following risks have been identified:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Failure to support the funding of the new facility will reduce the availability of public squash facilities in Hinckley.	The delivery of the Action Plan proposed in this report, along with the grant assistance from England Squash and Racket Association and this Council will help mitigate this risk.	BC
Failure to provide a publically acceptable facility.	Ensure a Management Agreement is put in place to secure community use of the new facility.	BC
Failure to support the relocation of Hinckley Squash Club may impact on programme of delivery of the Bus Station Regeneration Scheme.	Facilitate by Legal Agreement the construction and delivery of the new squash facility on Tungsten Park.	BC & SK

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

- 9.1 This proposal will assist in ensuring services are accessible as set out in this report.

10. **CORPORATE IMPLICATIONS**

- 10.1 The delivery of The Crescent Regeneration Scheme is a key strategic priority of the Council. The recommendations of this report will secure the smooth delivery of this scheme, as well as ensuring the provision of high quality new squash facilities for the Borough.

Background papers: Report to Executive – 20 November 2013 re: Hinckley Squash Club
Contact Officer: Bill Cullen and Sanjiv Kohli
Executive Member: Councillor Stuart Bray