

EXTRAORDINARY COUNCIL - 2 SEPTEMBER 2014

REPORT OF CHIEF EXECUTIVE RE PROGRESS TOWARDS DELIVERY OF LEISURE CENTRE - SUPPLEMENTARY PAPER



Hinckley & Bosworth
Borough Council

A Borough to be proud of

WARDS AFFECTED: ALL

1. PURPOSE OF REPORT

- 1.1 To update Council on actions and discussions at and since the meeting of the Scrutiny Commission on 28 August 2014. Amended recommendations are set out in the light of those discussions.

2. RECOMMENDATIONS

- i) That Council approve the recommendations 2.1 to 2.10, as set out in the substantive report to Scrutiny Commission (28 August 2014) and to Council tonight.
- ii) That, in addition, Council approves the action agreed with the Developer and with Hinckley Swimming Club, with the support of the ASA: that 'raised ends' be included to the pool, to be funded within the existing cost envelope.
- iii) That Council considers whether the provision of a movable floor, with the cost and service implications as set out within the supplementary paper and, in light of the opinion of the Council's s151 Officer as set out in the financial implications (paragraph 4.12) of this report, is a 'value for money' option, which it will support.
- iv) That an appropriate amendment be made to substantive recommendation 2.11 in the light of discussion on these further considerations.

3. BACKGROUND TO THE REPORT

- 3.1 The Scrutiny Commission meeting on 28 August 2014 gave very detailed consideration to a report on the progress in the delivery of the new leisure centre. The two main items related to the ground conditions, and the implications of that for building, timing and cost, and the requests for further enhancement of the swimming pool facilities - specifically 'raised ends' to the pool and a movable floor.
- 3.2 In the event, the issue relating to ground conditions and additional associated work - piling - were addressed satisfactorily and Scrutiny Commission endorsed the recommendations related to that issue. This is addressed in recommendations 2.3 to 2.8 inclusive in the substantive report for Council tonight.
- 3.3 In relation to the concerns raised by the Swimming Club, there was a very useful debate, the outcome of which is contained in the resolution/ recommendation from the Commission, attached to this paper as Annex A.
- 3.4 In furtherance of the resolution of the Commission, a meeting was arranged for Monday 1 September between Council officers, Swimming Club representatives, the Amateur Swimming Association (ASA) and representatives of the Developer/Operator (Places for People), with the aim of seeking to achieve a compromise resolution.

- 3.5 As a result of that constructive and cordial meeting, it was concluded that:
- * the 'raised ends' could be incorporated within the final design and delivery within the cost envelope incorporated into the substantive recommendations. This can be achieved as the additional cost can be offset, to a degree, by reductions in additional staffing costs at the centre.
 - * Members be asked to consider the funding and delivery of the movable floor at an estimated capital cost of £705,000, for the reasons set out in 3.6 below, but bearing in mind the service and financial cost implications of doing so, as set out in 3.7 to 3.9 below.
- 3.6 The Swimming Club has summarised the benefits of the movable floor to the Club membership as bringing in improved opportunities for competitions and galas and the increased use by less mainstream aquatic sports such as water polo and synchronised swimming. More details in respect of wider community benefit have been provided also by the Swimming Club and these are set out in Annex B (i) and B(ii). It must be pointed out than the ASA have advised separately and at Monday's meeting that the facility approved in January 2014, and enhanced subsequently for presentation to Scrutiny Commission and now Council, is high quality and one of which the Council should be proud. Whilst the ASA would welcome any further enhancements, they would not be deemed essential to their national requirements.
- 3.7 Members should note that all activities required by the Swimming Club (e.g. water polo, swimming galas and synchronized swimming) can be carried out both in the existing and new facility. The moveable floor will provide the opportunity for a step change in activity for user groups of Hinckley Swimming Club.
- 3.8 It should also be noted that the submission by PFPLM commits to a 38% increase in participation in swimming from the existing Leisure Centre - evidence that the new facility more than meets the needs of the wider community with regards to health and wellbeing and swimming participation
- 3.9 If Members are minded to support the addition of a movable floor at the estimated cost, it is important that the following implications are taken into consideration in making that decision:
- A further delay in commencement on site and potential additional costs, as more detailed design work will be necessary, in addition to availability of contractors on the delayed dates.
 - The cost of borrowing in relation to the General Fund, which is in excess of £50,000 per annum and/or the opportunity cost (also to the General Fund) of reducing the borrowing requirement by the use of already existing reserves. This will reduce the management fee payable to the Council, and deliverability of the Medium Term Financial Strategy (MTFS)
 - The reduction in the management fee payable to the Council by the operator by £25,000 per annum, due to the increased costs of operating the movable floor
 - The wider implications on the MTFs that the additional £75,000 cost of borrowing and reduction in management fee will have for the next 20 years i.e. a total additional cost of £1,500,000
 - Members need to note that a decision has already been made by Council that the "forecast" position as set out in the MTFs is not affordable or sustainable

and therefore measures will need to be taken to move the Council to the “best case” position.

- 3.9 It is important that Members take a fully considered decision, based on all the facts and implications, including the Financial implications section of this report, in the interests of the whole community, but taking into account the legitimate requests put forward by the Swimming Club and discussed constructively at both Scrutiny Commission and at the meeting on 1 September 2014.
- 3.10 In response to the recommendation from Scrutiny Commission for cross-party oversight, this had been agreed already separately and would form a standing item at the now-scheduled monthly meetings between the Leader of the Council, the Leader of the Conservative Group and the Chairman of the Scrutiny Commission.

4. FINANCIAL IMPLICATIONS (SK/KP)

- 4.1 Financial implications regarding the cost of ground works on the site have been covered in the implications section of the main report on this agenda. However it should be noted that any additional delay to these works (which will occur should the moveable floor be required) could mean that the sub contractor for the ground works may no longer be available or may charge an additional cost reflecting the increase in materials at the date of commencement.
- 4.2 As outlined in section 3.5, the cost of including raised ends to the Leisure Centre pool have been estimated by the developer to be around £45,000. The developer has confirmed that this cost can be met within the total cost envelope of the facility (£13.55million before costs of ground works) and therefore there are no financial implications arising directly from this change.
- 4.3 As outlined in section 3.7, the capital cost of including a moveable floor in the new facility has been estimated by the developer to be £705,000. The exact amount will need to be confirmed following procurement of this feature and will be evaluated internally to ensure it appears reasonable.
- 4.4 Given the Council's financial position and other capital schemes, there are only two options available for financing this capital cost. The Council could look to prudentially borrow the cost of this work, based on the assumption that the facility would provide a return through the Management Fee. The annual cost of servicing this debt (based on 25 year PWLB rates and minimum revenue position) are estimated to be around £56,118 as indicated below and would need to be met by the General Fund, reducing the net management fee payable to the Council and therefore has an impact on the deliverability of the MTFS:

	Capital cost £700,0000		
	Interest	MRP	Total
Rate - Based on 25 years	3.96%	4%	7.96%
Cost per annum (£)	27,918	28,200	56,118

- 4.5 The Council could look to finance the capital cost of the works through earmarked reserves. It should be noted that a thorough review of all reserves was performed in previous years and therefore all 23 reserve balances are clearly earmarked for other capital works (e.g. Waste Management Reserve and Master Plan Reserve) or are set aside as risk based contingencies (e.g. Benefits, Appeals and Business Rates reserves). Whilst balances for some element of the cost could be identified, members

are advised that this would prohibit the conclusion of other capital projects or reduce the financial resilience of the Council to react to risks going forward (e.g. large appeals costs, benefit subsidy claw back or reductions in Business Rates.

- 4.6 In addition to the capital cost of the works, the developer has indicated that the cost of maintenance and upkeep of a moveable floor would be £25,000 per annum which would be deducted from the gross management fee payable to the Council.
- 4.7 If members are minded to approve the moveable floor, the developer has indicated that the programme would be delayed by 3 months. Based on the current management fee profile, it is forecast the Council will be in receipt of circa £200,000 in 2015/2016 and therefore a 3 month delay would reduce the income available in this year by £50,000. The total cost to the General Fund over the period of the MTFS (assuming borrowing) is detailed in the table below.

	2015/2016	2016/2017	2017/2018
	£	£	£
Cost of finance	56,118	56,118	56,118
Maintenance costs	25,000	25,000	25,000
Opportunity cost of lost income	50,000	0	0
Total cost	131,118	81,118	81,118

- Given that the MTFS has been forecast to assume the current profile of the management fee, approximately £81,118 of additional savings would be required to cover this ongoing gap each year.

- 4.8 However, in considering the impact on the MTFS, it is important to view the position of the Council as a whole. The MTFS assumed a savings target of £276,900 in order to achieve the “best case” scenario. Since publication, Executive have endorsed that removal of New Homes Bonus to Parish Councils should be phased and award of funding to these bodies should remain in tact. When taking this into account, along with the cost of removable floor, the savings target for this Council for 2015/16 increases to £464,260. In order to meet such a target, the Council would be required to consider ongoing provision of discretionary services, a revision to the recommendation regarding support to Parish Councils and/or Council Tax levels:

	2015/2016	2016/2017
	£	£
Current MTFS		
Savings target included in MTFS	200,000	0
Additional savings target to move to best case	76,900	0
Revisions to MTFS		
Additional income now forecast (planning and Business Rates)	-150,000	0
Reduction in New Homes Bonus to Parishes	300,000	-178,000
Increase in PCIF	50,000	100,000
Retention of LCTS grant to Parishes	143,000	0
Assumed reduction in LCC cuts	-154,000	0
Reductions in restructure costs	-134,133	0
Implications of changes to Leisure Contract		
Movement in gross Management Fee	51,375	105,750
Maintenance charge	25,000	0
Cost of borrowing	56,118	0

Revised savings target	464,260	492,010
Movement in savings target	187,360	27,750

	2015/2016	2016/2017
	£	£
Current MTFS		
Savings target included in MTFS	200,000	0
Additional savings target to move to best case	76,900	0
Revisions to MTFS		
Additional income now forecast (planning and Business Rates)	-150,000	0
Reduction in New Homes Bonus to Parishes	300,000	-178,000
Increase in PCIF	50,000	100,000
Retention of LCTS grant to Parishes	143,000	0
Assumed reduction in LCC cuts	-154,000	0
Reductions in restructure costs	-134,133	0
Implications of changes to Leisure Contract		
Movement in gross Management Fee	51,375	105,750
Maintenance charge	25,000	0
Cost of borrowing	56,118	0
Revised savings target	464,260	492,010
Movement in savings target	187,360	27,750

4.9 In delaying the programme, it should also be noted that PFPLM could be entitled to increase the quoted capital cost of the Leisure Centre to reflect movements in industry indices. As an indication, these indices have increased by 4.58% since the tender submission, or £620,590 based on the tender price of £13.55million.

4.10 The Council's External Auditors (PricewaterhouseCoopers LLP), have been consulted on the proposal. Whilst comment cannot be passed on the decision to install a moveable floor, the auditors have highlighted the following risks:

- Should the Council choose to use reserves to fund the cost of the moveable floor, the financial resilience to react to further risks could be called into question
- Should the moveable floor be approved, the auditors would have to consider the value for money achieved in forming their opinion on the financial statements of the Council. If they concluded that value for money has not been achieved, this element of their audit opinion may be qualified.

4.11 On the basis of the above, the cost of the moveable floor and ongoing implications resulting from this on the General Fund and wider Council services there are serious questions as to whether this provides value for money.

5. LEGAL IMPLICATIONS

5.1 Already addressed in the substantive report

6. CORPORATE PLAN IMPLICATIONS

6.1 As stated in the substantive report

7. CONSULTATION

7.1 As stated in the substantive report, with the addition of the further meeting on 1 September, as detailed above.

8. RISK IMPLICATIONS

8.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

8.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

8.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
The financial risks in agreeing to the incorporation of a movable floor are set out in the Financial Implications	Reduce general Fund commitments to fund additional borrowing and/or use earmarked reserves	S151 Officer with Strategic Leadership Board

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 As stated in the substantive report

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: Report to Scrutiny Commission – 28 August 2014

Contact Officer: Steve Atkinson, Chief Executive

Executive Member: Cllr David Cope

Recommendations from Scrutiny Commission (28 August 2014) to Council
(2 September 2014) on Leisure Centre Progress

Resolution

That officers be urged to convene urgent discussions with the ASA, Hinckley Swimming Club and the Developer partners, preferably in advance of the Council meeting on 2 September 2014.

Recommendations

1. That Council endorses these discussions in seeking to secure a compromise resolution to the requests of Hinckley Swimming Club that the scheme includes:

- a) 'raised ends' to the pool;
- b) a movable floor

within an overall cost envelope that provides value for money and protects the level of management fee income to the Council from the operator.

2. That there be continuing cross-party political oversight of the progress of discussion and implementation.

Hinckley Swimming Club Bullet Points

- HSC works with the community to assist and enhance local sports provision.
- HSC provide life long skills and enjoyment in aquatic sports focussing on:
 - 1) The Talent Pathway to competitive swimming locally
 - 2) Where drop out from sport is high (target age ranges from 13-18)
 - 3) Adults being able to swim under the guidance of a coach (target age range over 25)
- The moveable floor would:
 - 1) Enhance the facility to be able to host the 9 Leicester League galas held each year along with the 5 Club Championship sessions. In addition HSC would like to hold additional galas as detailed below.
 - 2) Strengthen our Water Polo and Synchro programmes leading to swimmer retention in the sport, which increases participation (Especially in the target age ranges)
 - 3) Encourage local athletes to train in their local area rather than attending clubs outside, who provide more appropriate facilities to meet their aspirations.
- The moveable floor would allow HSC to organise:
 - 1) 5 Club galas where it would invite local clubs to attend; these sessions would be on a Saturday evening “ during the private hire period “. This would, in our opinion increase participation useage of the pool.
 - 2) One (possibly 2) Open Meets per annum, each open meet would require the use of two 3.5 hour public sessions combined either with, a private hire session or our own club session time. This would increase participation useage of the pool and in our opinion add footfall to the Town Centre. Target numbers for open meets would be circa 250 – 300 swimmers.
 - 3) Allow the County to organise “ Mini Meets “ (9 and 10 year olds) which require approx. 3 hours in private hire times to give swimmers an opportunity to experience open meets. This will increase footfall to the town centre.
- The moveable floor would allow the opportunity for sports not previously envisaged to be considered, enhancing the reputation of the borough for being innovative.
 - 1) Underwater Fooball
 - 2) Underwater Hockey
 - 3) Underwater Orienteering
 - 4) Underwater Photography (Sport)
 - 5) Underwater Rugby
 - 6) Underwater Target Shooting
 - 7) Aquathlon (Underwater Wrestling)
 - 8) Canoeing
 - 9) Canoe Polo
 - 10) Enhance the Scuba Diving Provision , could the pool become a Teaching Centre ?

Each of these aquatic events could be trialled and events held periodically to encourage a wider range of people to take up an aquatic sport. If they develop then a more structured scheme could be introduced.

HSC accepts that all of these events would need to be investigated but there is a wide variety to explore.

- All of these additional events could bring in additional revenue to the café / restaurant facilities being provided on site as well as footfall in the town centre and even allowing participation in other facilities whilst they are at the Leisure centre.

Hinckley Swimming Club would like to provide further information about our club and activities to ensure all parties making decisions are fully aware of what we aspire to achieve for our local community.

We would also like to ask HBBC and Councillors to consider points made on the following pages before making any final decisions on the New Hinckley Leisure Centre.

H.S.C is run by volunteers and provides the community with a service for those moving out of learn to swim programmes enabling them to take the next step in aquatic activities. For some this may be a continuation of progress of their skills to swim for fitness. For others this may be taking up aquatics in a sporting context.

We recognise that participation in sport and further development of skills can be prohibitive for many families and this is especially true when a young person wishes to take part in various activities or in our case, take part in multiple sessions. By working as volunteers we are able to keep our activities priced to just cover running costs and be as inclusive as possible.

Our passion lies in keeping young people involved in activities or sport; giving them the opportunities to learn skills for life as well as all the health benefits associated with keeping active.

It is known that many young people drop out of activities at high school age, and as a club we work to provide alternative aquatic activities to keep youngsters active. As well as swimming we provide Water Polo and Synchronised swimming. Water Polo started to develop in the club around 8 years ago and has grown immensely in size since that time. It has proven to keep young people involved. Synchro is much more recent but as with Water Polo is providing another activity which is of interest to those in that age group where a few years ago, they would have been likely to drop out.

We are also proud of our support for our older swimmers and parents who go on to become active volunteers in the club. Many older swimmers (and a few parents) go on to becoming teachers and coaches themselves. We support them in doing so by providing the opportunities to join us as volunteers on poolside learning the skills required for teaching as well as providing training opportunities leading to qualifications. We also actively support teenagers undertaking the Duke of Edinburgh award.

We are successful in encouraging our parents to get involved and most of them help in one way or another in the various roles required for running the club. We have a good number who train as British Swimming Officials gaining judge qualifications which is essential to the development of competitive aquatic sports. The involvement of parents with their children's activities gaining knowledge and understanding as well as developing their own skills cannot be underestimated in terms of helping enjoyment. It builds friendships, community spirit as well as a sense of belonging.

The downside to our provision is that many local athletes have to attend other facilities outside of Hinckley and Bosworth to fulfil their aspirations. Many local swimmers chose to train at other clubs where pools provide the facilities needed to further their development. This is as much to do with development during early stages of competitive development as those aspiring to achieve the highest levels. The earlier athletes can use appropriate skills for competition, the more chance they have of achieving their full potential.

As a club, we believe that we provide a great service in our community; a service which has grown and reached out further over the years. It is our growth and aims of providing these services and wishing to grow them further still that provided the details of our consultation document.

We have requested a facility to enable us to continue to provide for our local community in the way we have done for over 100 years now. Previous new builds have provided for us to enhance our provision for our local community and we expected this new build to further enhance on the last one allowing us to continue to provide enhancements and greater opportunities.

Key points we would like HBBC and Councillors to recognise

- At the start of the procurement process, HBBC recognise that a revenue stream was not envisaged. (Report 13/11/12)
- Subsequently offers from 2 bidders were tabled with both offering a revenue stream with DC Leisure (now PFP) providing a return of nearly £18.5 million (net) over the 20 year contract term. Leaving around £4million overall surplus.
- A moveable floor in the main pool would have no detrimental effect on any pool users.
- Hinckley Swimming Club recognises there are cost implications with having a moveable floor in the main pool which relate to Capital as well as extra maintenance / running costs.
- Hinckley Swimming Club DO NOT recognise any extra costs associated with making amendments to include a moveable floor in the provision which apply to costs that could have been avoided if action were taken earlier. Although not exhaustive, the list would include such items as extra design and planning fees as well as costs associated with any delays due to late amendments and building work.
- Hinckley Swimming Club has 300 active swimming members providing an annual footfall of approximately 17700 during its allocated 9 pool hours per week at Hinckley Leisure Centre. Additional activities such as our annual club championships provide a further footfall of approximately 400 during the year. We also have provision at John Cleveland College for our members which adds another 6720 footfall into aquatic activities.
- Hinckley Swimming Club also supports the local Leicester Swimming League by hosting a proportion of their galas at Hinckley Leisure Centre, normally 9 times during the year. These galas provide another 1350 footfall into Hinckley Leisure Centre.

Hinckley Swimming Club would like to ask HBBC and Councillors to consider the following carefully before making any final decisions.

- If a moveable floor in the main pool had been factored in at the outset; considerable revenue would still have been provided to HBBC by PFP. On the basis that revenue was not originally expected would it be fair to agree that the whole scheme would still have been approved?
- Does HBBC want our community to have the best possible facilities to provide the widest range of aquatic activities that can be provided with the funds available to them for this provision?
- Does HBBC recognise the need to provide Aquatic activities to target groups (13-18 years)
- Does HBBC recognise that without a moveable floor, local athletes aspiring to reach their full potential need to train in facilities better suited to their needs in other pools local to Hinckley, e.g Nuneaton and Braunstone.
- Does HBBC want Hinckley Swimming Club to continue and expand its goals in reaching out to the wider community, providing a stepping stone to the next stages of aquatic activities beyond Learn to Swim Programmes providing continuous pathways up to and including adulthood?

We ask the council to consider that the new Leisure Centre is being built to last for the next 40 years. We want you to make the correct decisions in providing for the wider community. Hinckley Swimming Club believes it is part of the wider community.

It is for our council to decide whether or not to provide the appropriate provisions to allow us to grow as we have done before or become stagnant for the next 40 years.