
Meeting: Executive

Date: 14 October 2014

Subject: Flitwick Leisure Centre Redevelopment – Approval to Enter into a Lottery Funding Agreement with Sport England and to Note the Capital Budget Position

Report of: Cllr Brian Spurr, Executive Member for Community Services

Summary: The report sets out the actions required for Executive to accept a capital grant in respect of Flitwick Leisure Centre and the impact this has on the Council's financial position.

Advising Officer: Marcel Coiffait, Director of Community Services.

Contact Officer: Jill Dickinson, Head of Leisure and Libraries

Public/Exempt: Public with an exempt Appendix.

Wards Affected: Flitwick, Ampthill, Aspley & Woburn, Cranfield & Marston Moretaine, Houghton Conquest & Haynes, Westoning, Flitton & Greenfield

Function of: Executive

Key Decision Yes

Reason for urgency/ exemption from call-in (if appropriate) An urgent decision is required for commercial reasons as the procurement process has been completed and delay in a rising building market could lead to extra cost being incurred.

CORPORATE IMPLICATIONS

Council Priorities:

The action supports the following Council priorities;

- Enhancing Central Bedfordshire – creating jobs, managing growth, and enabling businesses to grow.
- Promote health and wellbeing and protecting the vulnerable.
- Great universal services –leisure.
- Value for money – freezing council tax.

Financial:

1. The approved capital programme for the redevelopment of Flitwick Leisure Centre for 2014-2016 includes £12,482,000 gross expenditure offset by anticipated capital receipts of £2,500,000. The initial cost is to be funded by external borrowing that will be reduced by the value of the capital receipts when they are delivered on completion of the scheme.
2. The Council was invited to apply for a capital Lottery grant from Sport England's Strategic Facilities Fund towards the cost of redeveloping Flitwick Leisure Centre. This bid was successful and a maximum grant of £2,000,000 has been offered towards the capital cost of the scheme.
3. The cost of the scheme has increased since funding was approved in the capital programme, largely due to an increase in costs in the building industry. The anticipated overall gross expenditure for this scheme in the period 2013-2016, informed by the completion of a competitive tender, is £14,725,000 which includes actual expenditure in 2013/14 of £321,000.
4. The proposed Sport England Lottery grant is now an essential component of the affordability of the scheme for the Council, meeting the majority of the budget shortfall of £2,243,000 and the remainder would be met by the virement of up to £243,000 of approved capital funds from other schemes in the leisure capital programme. It is anticipated that the application of any cost options offered in the winning tender will reduce this sum.
5. To progress the scheme approval is required to enter into the terms of the grant and increase the gross budget for this project by £2,000,000. This would result in no increase in the current net budget approved by Council for this scheme, consequently Council approval for these changes is not required.

Legal:

6. The award of grant is subject to a Member decision agreeing to enter into a Lottery Funding Agreement (the Deed) and its associated grant conditions governing that grant for a period of 25 years. This Deed sets out the terms and conditions upon which Sport England agree to make the grant available to the Council. The main condition is that the Council must possess a legal interest in the property and must apply for a restriction to be noted on the registered title of the leisure centre site to protect Sport England's interest.
7. The Council has undertaken an exchange of land with Flitwick Town Council to provide a suitable site for the new centre. The land will now be registered and a restriction applied to the registered title. The contract terms for the exchange of land also include a covenant on the leisure centre site for it to be used for leisure purposes.

8. In order to avoid an unnecessary delay to the planned programme by enabling an immediate award of contract for construction, authority is required to:
- a) enter into the Lottery Funding Agreement (the deed) which will secure the grant; and
 - b) increase the gross expenditure budget for the scheme by £2,000,000, to reflect the grant income, enabling the Director to exercise his delegated authority within the Council's constitution to award the contract.

Risk Management:

9. A risk identified with the recommendation is the financial risk associated with Sport England having the right to wholly or partially suspend or cancel any future payments, and/or terminate the agreement, and/or require payment of an amount equal to all or any part of the grant that has then been drawn down.
10. However, the Council has worked closely with Sport England and received advice and support throughout the detailed development of the project which has effectively signed many of the terms and conditions off at the time the award offer was made. Therefore this risk is evaluated as being low and continues to be actively managed. There is a very significant financial risk associated with not accepting the recommendations inasmuch as this would result in the grant not being paid and the loss of this sum to the Council.

Staffing (including Trades Unions):

11. Not applicable

Equalities/Human Rights:

12. There are no specific equalities or human rights implications of this proposal.

Public Health:

13. Not applicable

Community Safety:

14. Not applicable.

Sustainability:

15. The grant aims to support the extension and improvement of opportunities that increase the number of people accessing and participating in sport and physical activity through a network of good quality, accessible and readily available public sport and recreation facilities, reducing the need for customers to travel to other local authority areas to participate in these activities.

Procurement:

16. The Council has undertaken an EU compliant tender process for the redevelopment of Flitwick Leisure Centre. This has resulted in a compliant bid that the Council would be in a position to accept conditional on the additional funding provided through the proposed Sport England grant offered and amendment to the current gross capital budget by £2,000,000. The remainder would be met by the virement of up to £243,000 of approved capital funds from other schemes in the leisure capital programme under existing delegated authorities. It is anticipated that the application of any cost options offered in the winning tender will reduce this sum consequently there is no net impact on the Council's contribution to the scheme.

Overview and Scrutiny:

17. The Vice Chairman of the Sustainable Communities Overview and Scrutiny Committee has been consulted on these proposed decisions and has agreed that the decisions are urgent and will not be subject to call-in.

RECOMMENDATIONS:

1. **To accept the terms of the Lottery Funding Agreement (the deed) and its associated grant conditions to secure the Sport England capital grant award of £2,000,000 as set out in the exempt Appendix A to this report.**
2. **That Executive note the increase in the gross capital budget for this project and that, as a result of the acceptance of this grant, there is no net impact on the Capital Budget position as approved by Council.**
3. **Delegate authority to the Community Services Director, in consultation with the Executive Member for Community Services to award a building contract for Flitwick Leisure Centre at the overall gross expenditure for this scheme of £14,725,000.**

Reason for Recommendations: To secure £2m funding contribution towards the cost of the redevelopment of Flitwick Leisure Centre and award the building contract for Flitwick Leisure Centre.

Executive Summary

18. The Council has been offered a capital Lottery grant from Sport England of £2,000,000 towards the cost of the redevelopment of Flitwick Leisure Centre.
19. In order to receive this grant the Council must accept and comply with the terms and conditions of the grant. If the Council fails to abide by the funding conditions then Sport England can wholly or partially suspend or cancel any future payments, and/or terminate the agreement, and/or require payment of an amount equal to all or any part of the grant that has then been drawn down.

Background

20. Delivery of a new leisure centre in Flitwick is a priority in the Leisure Facilities Strategy adopted by Executive on 8 January 2013. On 14 May 2013, Executive agreed to undertake a feasibility study to assess redeveloping the leisure centre. On 5 November 2013 Executive considered the recommendations of the feasibility study and approved a budget to proceed with the redevelopment of Flitwick Leisure Centre.
21. In 2013, Sport England invited the Council to submit a bid to the Strategic Facilities Fund for financial support in relation to the redevelopment of Flitwick Leisure Centre. This fund directs capital investment into a number of key local authority projects that are identified through a strategic needs assessment and that have maximum impact on growing and sustaining community sport participation. The Council has been offered a capital grant of £2,000,000.
22. To receive this grant the Council must make an explicit undertaking to abide by the funding conditions by entering into a Lottery Funding Agreement with Sport England. If the Council fails to abide by the funding conditions then Sport England can withhold payment and demand repayment of some or all of grant previously paid.

Funding Conditions

23. The funding conditions are set out in full in Appendix A.
The most significant conditions are set out in the sections below.
 - a) The Grant is solely for funding the capital expenditure in relation to the delivery of a new Flitwick Leisure Centre as set out in the grant application and is non-transferable. Nothing shall require Sport England to provide any revenue funding in respect of the operation of the Facility.
 - b) The Council must possess a legal interest in the property and must apply for a restriction to be noted on the registered title of the leisure centre site to protect Sport England's interest.
 - c) The Council must not sell, transfer, assign, grant or otherwise dispose of any interest in the site without the prior written approval of Sport England.
 - d) The Council must evidence full compliance with all planning conditions and the approach to discharging the conditions.

- e) The Council shall recognise the contribution made by the Lottery to the project and shall not issue any public statement, press release or other publicity in relation to the grant or which refers to Sport England other than in a form approved in advance by Sport England.
 - f) The Council shall ensure that the centre is available for use no later than 31 March 2016.
 - g) The Council must obtain Sport England's approval for key performance indicators that will objectively measure the achievement of sporting objectives, a method of assessing that performance, and review and update that operational plan at least every 12 months. It must achieve industry standard accreditation and ranking in the top quartile of national benchmarking assessment.
 - h) The Council will provide access to Sport England for monitoring and audit purposes.
 - i) The Council must agree to the funding terms and conditions and to enter into an agreement to meet and comply with those conditions at 'Committee' level.
24. The Council continues to work closely with Sport England and is actively managing the terms and conditions in order to achieve compliance and secure the grant offer, and to maintain compliance until the end of the grant term.

Conclusion

Following receipt and evaluation of the tender for the redevelopment of Flitwick Leisure Centre, the gross costs have been clarified and are in excess of existing budget provision. Consequentially, an increase in the gross capital expenditure budget of £2,000,000 has been requested for this scheme. The remainder would be met by the virement of up to £243,000 of approved capital funds from other schemes in the leisure capital programme under existing delegated authorities. It is anticipated that the application of any cost options offered in the winning tender will reduce this sum.

Appendices:

Appendix A – Sport England Strategic Facilities Fund LFA

Background Papers: None