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Supplementary Agenda 1

Dear Councillor

POLICY, PROJECTS AND RESOURCES COMMITTEE - WEDNESDAY, 23RD JANUARY, 2019

I am now able to enclose, for consideration at next Wednesday, 23rd January, 2019 meeting of the Policy, Projects and Resources Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
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| 7. | <u>King George's Playing Fields</u> (Pages 3 - 12) |
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Yours sincerely



Chief Executive

Encs

23 January 2018

Policy, Projects and Resources Committee

King George's Playing Fields

Report of: *Kim Anderson, Partnership, Leisure and Funding Manager*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 A Leisure Development Partner, Alliance Leisure Services was appointed to develop a sustainable business plan for King George's Playing Fields, one of the key projects that sits under the Council's Leisure Strategy. Their business plan has been submitted and officers have reviewed it around the assumptions of the capital investment required, the projected income generation and the proposed management arrangements, all which will be integral to the viability of the project.
- 1.2 A report was referred from Community Health and Housing Committee on 4 December 2018 (min. ref. 136) to agree the budget requirement as part of the Council's budget setting process for 2019/20 which will come to 5 February Policy, Projects and Resources Committee. Officers are in the process of the obtaining legal advice on the operating model which will inform the final business plan and financial model for the project. It is currently estimated that the project will build costs will cost up to £7m. Therefore, it is recommended that this is brought back to a future Policy, Projects and Resources Committee to agree the business plan before any monies are utilized of this budget requirement.
- 1.3 The proposed new pavilion will include improved changing facilities, indoor play facility including a dedicated space for children and young people with physical or sensory disabilities, including a 'Changing Places' toilet changing facility, TAG Active, improved food and drink offer, improved facilities for Hartswood Golf Club and multi-use space. The outdoor adventure play will include a splash pad, sky trail and net cubes.

2. Recommendation(s)

2.1 Members support the inclusion of £7m for the development of Kings George's Playing Fields within the Capital Programme for 2019/20. This will be considered as part of the budget setting process. Expenditure will only occur, subject to the full business plan and operating model details being approved by a future Projects, Policy & Resources Committee.

3. Background

- 3.1 At the 5 March 2018 Community Health and Housing Committee, Members agreed to the draft Leisure Strategy and Action Plan which was subsequently referred to Policy Projects and Resources Committee on 12 March for their consideration. The Strategy was sent for consultation and the final strategy and action plan was agreed by Community Health and Housing Committee on 3 July and the Policy, Projects and Resources Committee on 18 September 2018.
- 3.2 At the 12 March 2018 Policy, Projects and Resources Committee the budget was agreed, and delegated authority was given to the Chief Executive in consultation with the Chair of Community Health and Housing Committee and the Leader of the Council to appoint a Leisure Development Partner to develop a sustainable business plan for the improvements to King George's Playing Fields.
- 3.3 Alliance Leisure Services were appointed to develop the sustainable business plan and several meetings have taken place with them to develop the vision for King George's Playing Fields and agree the brief for the project.
- 3.4 As part of the project brief Alliance Leisure Services were asked to examine the current use of the park, current income and expenditure, current lease arrangements and to undertake consultation with the relevant key stakeholders.
- 3.5 The brief identified some key desirables for the site which included improvements to the pavilion building, provision of some indoor soft play, outdoor adventure play and a wet play offer.
- 3.6 Alliance has completed the relevant surveys of the park, assessed the current and future demographics, identified potential income streams and drawn up concept plans for the site. A competition analysis as also been undertaken

which identified drivetime to existing facilities and the relevant pricing structures. This informed the recommended facilities mix to maximise visitors to the park.

- 3.7 Officers and the Leisure Development Partner's architect have had one pre-application meeting with the planning development department to identify any conditions and restrictions from a planning perspective on the initial concept design. Further discussions are required ahead of any submission.
- 3.8 Officers and the Leisure Development Partner have reviewed the assumptions that have been made to the financial modelling of the business plan. There are three key areas that will need to be agreed going forward.
- 3.9 The first is to identify the preferred operating model for the new facility which could include being directly managed by Brentwood Borough Council; through the establishment of a trust/CIC; or offered to an existing third-party provider to manage on the Council's behalf. With each of the operating models' officers need to identify the benefits or disadvantages on the financial return such as VAT, National Non-Domestic Rates (NNDR), staff pension costs and the optimal rental return.
- 3.10 The second is the preferred facility mix of the pavilion and the outdoor adventure play which will need to include both commercial and community use to make it viable and sustainable.
- 3.11 The third is the budget requirement for the pavilion building and the outdoor adventure play, which will be underpinned by the first two key areas. The bulk of the budget will be for the pavilion building and these costs will be determined by the size of the building, the facility mix and future usage. The Council will need to ensure that any cost of borrowing is covered by the financial return on the pavilion building and the outdoor adventure play. The Council also needs to identify any external funding contributions that may reduce the capital requirements for the Council.
- 3.12 The initial concept design looked at a new pavilion building which would provide a new and improved food and drink offer, new soft play and a Tag Active facility. It was also proposed that the building would also provide new improved facilities for Brentwood Rugby Club and Hartswood Golf Club, a multi-use room, changing rooms for rugby and a 'Changing Places' facility that provides improved toilet facilities for young people and adults that have physical or sensory disabilities. There would also be provision for a larger Pro Golf Shop on the site. It should be noted that these designs may well change after further discussions with planning as part of the pre-application and planning process.

4 Issues, Options and Analysis of Options

- 4.1 The Leisure Strategy is one of the key strategies as set out in the Vision for Brentwood 2016-19 document. To deliver a successful Leisure Strategy, Members and Officers need to have a complete picture of the costs of the current provision, how it measures in value for money terms, the future options available to them, together with any risk profiles associated with its leisure facilities.
- 4.2 One of the key workstreams under the Leisure Strategy is the Council's built leisure facilities and it was agreed by Members at the 12 March 2018 Policy, Projects and Resources Committee to focus on King George's Playing Fields and work with a Leisure Development Partner to develop a sustainable business plan for the park.
- 4.3 Alliance Leisure Services were appointed to develop a sustainable business plan which examined commercial opportunities that could support the free community offer in the park. This would include new indoor soft play, TAG Active, the development of new outdoor adventure play as well as a splash pad to replace the paddling pools.
- 4.4 The initial business plan assumed that the Rugby Club would be part of the new pavilion building and that they will contribute financially to the pavilion build costs. The other associated costs for the site would be for the new outdoor adventure play and splash pad. The Council would also look at opportunities to apply for external funding to support the changing places facility and some of the indoor play. It is assumed that the Council will finance the rest through borrowing.
- 4.5 If Brentwood Rugby Club are not part of the new building, the building footprint could potentially be reduced in size. This is anticipated that this could save between £800,000 to £1,000,000 in build costs assuming build costs are around £2,000 per sqm. However, if the changing rooms are retained within a new pavilion building then this footprint would not be significantly reduced.
- 4.6 The Rugby Club as part of the consultation expressed a wish to retain and manage their own bar but it was felt that this would not be viable if there was one operator managing the pavilion.
- 4.7 Brentwood Rugby Club have had planning permission agreed to extend their current pavilion to include changing facilities. The changing facilities could be

retained within the main pavilion building as they could be used by both football and rugby. This would also reduce the amount of funding that Brentwood Rugby Club would need to fund for their own extension to their pavilion. There are opportunities to resubmit planning applications for the main building and the rugby club pavilion to ensure that both buildings look similar in their park setting.

- 4.8 After a meeting with the Chair of Brentwood Rugby Club, and his subsequent consultation with the Members of the club, it was felt that the Rugby Club would pursue their own improvement plans for their own pavilion building separately.
- 4.9 Subject to planning approval there is an opportunity to use the space on the first floor for more general community use and provide some classroom/ training space on the ground floor.
- 4.10 The assumption in the original business plan was that an established trust would be managing the whole pavilion. This trust would attract VAT savings, as income would be exempt, however the Council has applied the same exemption to sports income and would therefore get the same exemption. The next relief the Trust would be able to get is the NNDR relief as it would be a registered charity. This is up to 80% of the NNDR of the whole building. Having an established trust this will also generate a saving to the Council as currently the pension costs are 17.1% per employee salary.
- 4.11 The opening hours were also adjusted from the business plan to cater for golfers and park users being able to access breakfast facilities before 10am. While this may potentially require additional staffing costs, these costs could be offset from the predicted demand.
- 4.12 The costs of sales, which is the cost of food and drink was also adjusted from the business plan from 48% to 40% of the total income.
- 4.13 The central costs, risks and contingency assumptions indicate that the trust would already have central costs and therefore would not require additional costs for operating the pavilion, and that if the risk and contingency pot is not used this would go to the trust as profit.
- 4.14 All other costs seemed to be reasonable in the business plan apart from the fact that no inflation had been applied to costs in future years, so an assumption was made to apply 1% to salary costs, 2% NNDR, 2% insurance and 1% to cleaning costs.

- 4.15 The other assumption in the business plan is that as a trust and not a local authority not all VAT could be claimed back.
- 4.16 Any income from the pavilion would not commence until the building was fully operational. Therefore, the Council would incur some interest costs on the loan (when it was taken out) through the build costs which will impact the Revenue on the General Fund.
- 4.17 Any existing leases and expenditure are already accounted for in the Council's base budget and the assumption is that the grounds maintenance for the site will continue to be provided by Brentwood Borough Council directly, so these costs are removed from the business plan.
- 4.18 The Council also needs to consider this project as one of a number of projects that it is currently or will be delivered in the next few years so that appropriate funding, and resource are available to be able to successfully deliver the project. With any funding all the associated risks and benefits also need to be identified.
- 4.19 It is recommended that external legal and professional advice is sought as to how the Council could use a Wholly Owned Company for an interim period to manage the new facilities.
- 4.20 This facility mix has been developed as part of the business plan as it has considered the type of competition in the immediate and neighbouring vicinity, optional drive time for visitors and the estimated income as a result. It is also expected that the improvement to the ancillary facilities could further support the community benefit of the golf and rugby club, and also for the general user of the park as the food and drink, toilet and changing facilities will all be improved.
- 4.21 Officers have also spoken to organisations, parents and carers in respect of the new built facilities in respect of the disabled facilities requirements. Therefore, to support both physical and sensory disabilities the building will include a 'Changing Places' toilet and an allocated sensory area as part of the indoor soft play facility.
- 4.22 This proposed new facility mix for the pavilion building and the park provides both commercial and community use. It is proposed that the pavilion building will house a new indoor soft play facility, TAG Active, an improved food and beverage offer. This combination will be the commercial element of the building. This will be complemented by new outdoor adventure play including Sky Trail/Tree Nets and new splash pad facility. The community use could include changing rooms facilities, classroom/training room, Hartswood Golf

Club together with a flexible multi-purpose room which can be booked by any organisation, but could also be used as a meeting room, for fitness classes or as a wedding venue.

- 4.23 Assumptions have also been made on the car parking revenue and it is recommended that further financial modelling is undertaken to ensure that it aligns with the Council's Car Parking Strategy and also identifies any concessions required.

5 Reasons for Recommendation

- 5.1 As part of the Council's due diligence in delivery a successful Leisure Strategy, Members and offices need to have a complete picture of the current associated costs, risk profiles of the Borough's Leisure facilities and identify opportunities for income generation.
- 5.2 Comments from Sport England as part of the Local development Plan consultation, stated that a Leisure Strategy is required that assesses Council owned sports and leisure facilities in order that the Council can continue to work with partners to ensure that appropriate provision is made for the residents of Brentwood. The strategy should not only consider how the Council can provide services, but also how other partners can. The strategy should also use current sports facility evidence to identify strategic priorities to then inform what will be included in the Council's Infrastructure Delivery Plan. Following this feasibility work, the Council will then be able to determine which projects will be funded by the Community Infrastructure Levy (CIL) and those funded by planning obligations.
- 5.3 The Council's Asset Management Strategy 2014/15 also sets out the need to obtain and maximise income where possible from its asset portfolio.

6 References to Corporate Plan

The Leisure Strategy sits under two main strands of the Vision for Brentwood 2016-19: Environment and Housing Management to develop a Leisure Strategy to provide strong and sustainable leisure facilities for residents and businesses; and Community and Health - to work with community and voluntary organisations to develop the priorities for community development. There are also strong links for the priorities of the Council's Health and Wellbeing Strategy 2014-2017, the Local Development Plan, Active Brentwood/Essex and the Council's Asset Management Strategy 2014/15.

7 Implications

Financial Implications

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- 7.1 The initial Business Case from Alliance has been reviewed, along with the proposed financial model. Based on the revised assumptions, the current projected expenditure for the project could be up to a maximum of £7million. The majority of which will be for the build costs for the pavilion which could be in the region of £5million. The rest of the costs will be required for the outdoor adventure play provision and the splash pad.
- 7.2 However, the financial model is still currently being reviewed for the Council to achieve the best possible financial return and depending on the final footprint (subject to planning) and operating model, which could significantly change the proposed costs.
- 7.3 There is currently no budget provision within the Council's Capital Programme. The expenditure required would need to be referred to Policy, Projects and Resources Committee and Ordinary Council as part of the Councils budget setting process.
- 7.4 It is assumed that the Council will need to fund all the project from external borrowing. This will be taken into the wider consideration of the Council's Capital Program and our Treasury Management Strategy, as part of the budget setting process.
- 7.5 The table below, details the current capital requirement, as well as the potential revenue impact on the General Fund for the external borrowing of this project. However, the actual borrowing costs, would be subject to the future timings of Cash Flows.

	£'000
Pavilion Build Costs	5,000
Soft Play & Tag Active	600
Café	75
Outdoor Sky Trail & Nets	545
Outdoor Splashpad	250
Professional Fees	553
Total Build Costs	7,023

Interest Costs on Borrowing @ 2.5%	176
Minimum Revenue Provision (Principal)	215
Annual Financing Costs	391

- 7.6 The Council will seek to maximise any external contributions, which would reduce the amount of borrowing required.
- 7.7 The operating model needs further legal advice and investigation which officers are currently obtaining. However, the model based on current assumptions offers a potential average annual return around 4%. Once this advice has been obtained this will inform the final business plan for the project to ensure the best financial return to the Council; and a subsequent report is brought back to Policy, Projects and Resources Committee.
- 7.8 All other financial implications are within the main body of the report.

Legal Implications

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- 7.8 The recommendations set out within this report are within the Council's powers and duties. The Council has power under s1(1) of the Localism Act 2011 to do anything that individuals generally may do, provided it is not prohibited by legislation and subject to public law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power in this way. In addition, s111 of the Local Government Act 1972 gives a local authority power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- 7.9 The recommendation to procure external legal advice to identify an appropriate operational model for the pavilion building and outdoor adventure play, will help to minimise legal risk and secure best value for the Council in the development of King George's Playing Fields.

8 Background Papers

- 8.9 Feasibility study – King George's Playing Fields
- 8.10 Face to face and online consultation with park users

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