

**4 December 2018**

**Community Health and Housing 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. The business plan has been completed 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 success of the project. The report before Members tonight sets out the recommended approach to the successful delivery of the project. This report will also need to be referred to Policy, Projects and Resources Committee to agree the budget requirement for the project and subject to that agreement will also need to be referred to the relevant planning committee for consideration.

**2. Recommendation(s)**

- 2.1 That Members agree that officers obtain external legal advice on the preferred operational model for the pavilion building and outdoor adventure play as part of the development of King George's Playing Fields; and
- 2.2 That the report is referred to Policy, Projects and Resources Committee on 5 February 2019 to consider the budget requirement and the operating model for the pavilion and adventure play on King George's Playing Fields; and
- 2.3 That subject to the budget requirement being approved by Policy, Projects and Resources Committee, that delegated authority is given to the Chief Executive Officer in consultation with the Leader of the Council and the Chair of Community Health and Housing Committee to submit a planning application to the relevant Planning Committee for consideration

### **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 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 has also been undertaken which identified drivetime of existing facilities and the pricing structures. This informed the recommended facilities mix to maximise visitors to the park.
- 3.7 Officers and the Leisure Development Partners architect have had a pre-application meeting with the planning development department to identify any conditions and restrictions from a planning perspective on the initial concept design. This design of the pavilion building has been amended as a result to make it more in keeping with its park surroundings.

- 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. The first is the budget requirement for the pavilion building and the outdoor adventure play. 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 adventure play. The Council also needs to identify any external funding contributions which may reduce the capital requirements for the Council.
- 3.9 The second 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) and the optimal rental return.
- 3.10 The third 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 initial concept design looked at a new pavilion building which would provide a new and improved food and drink offer, new soft play and 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 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 Borrowing costs are estimated at around 2.5-2.8% and the Minimal Revenue Provision (MRP), principal set aside at 70 years for the building and 20 years for the equipment.
- 4.6 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.
- 4.7 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.
- 4.8 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.

- 4.9 After a meeting with the Brentwood Rugby Club, the Chairman felt that this was the best way forward.
- 4.10 Subject to planning approval there is opportunity to use the space on the first floor for more general community use.
- 4.11 The assumption in the business plan is 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.
- 4.12 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.
- 4.13 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.
- 4.14 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.
- 4.15 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.
- 4.16 The other assumption in the business plan is that as a trust and not a local authority not all VAT could be claimed back.
- 4.17 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 Officers also discussed whether the profit margin would be enough to attract an established trust or whether the Council could manage the building and the new outdoor facilities in the interim until the Brentwood Centre site improvements are considered together with and any future operational management options.
- 4.20 It is recommended that external legal advice is sought as to how the Council could use Seven Arches Investment Limited (SAIL) or a subsidiary of SAIL for an interim period to manage the new facilities.
- 4.21 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.
- 4.22 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.
- 4.23 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, together which 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 some provision for Brentwood Rugby Club changing rooms and Hartswood Golf Club together with a multi-purpose room which can be booked by the Rugby Club and Golf Club, but could also be used as a meeting room, fitness classes or as wedding venue.
- 4.24 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 will 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 Finance have reviewed the business plan, and 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 model is still currently being reviewed for the Council to achieve the best possible financial return and depending on the final footprint could significantly change the proposed costs.
- 7.3 There is currently no budget provision within the Council's Capital Programme. Depending on the final financial model, the expenditure required will 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 expected that the Council will need to fund the project. Any borrowing required will be taken into the wider consideration of the Council's existing projects and its Treasury Management Strategy.
- 7.5 If the Council were to phase the development of the improvements to King George's Playing Fields, then the underlying risk can be reduced to the Council.
- 7.6 The preferred operating model option will need to identify the financial benefits/disadvantages such as NNDR, Vat implications and Pension costs.
- 7.7 The Council seeks to maximise any external contributions which would will also reduce the budget requirement and the potential need to borrow.

#### **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**

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

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