

## EXTRAORDINARY FULL COUNCIL

30<sup>TH</sup> MARCH 2016

### REPORT OF THE MELTON SPORTS & LEISURE WORKING GROUP

#### MELTON SPORTS & LEISURE VILLAGE- BUSINESS CASE

##### 1.0 PURPOSE OF REPORT

- 1.1 For members to approve the Melton Sports & Leisure Village Business Case (attached as Appendix A and exempt Appendix B). That members also approve officers to proceed to the market, to test the appetite of Leisure Operators in respect of a Design, Build, Operate and Maintain (DBOM) contract for the facility, including an existing service option for a shorter term.

##### 2.0 RECOMMENDATIONS

It is recommended that members:

- 2.1 **Thank the Melton Sports, Leisure & Culture Working for their work in developing the Business Case.**
- 2.2 **Approve the Leisure Vision Business Case (Attached as Appendix A and exempt Appendix B).**
- 2.3 **Subject to recommendation 2.2 instruct officers to commence the procurement process as outlined in sections 3.5-3.13 of the report.**
- 2.4 **Subject to recommendation 2.2 approve that 'The Melton, Sports, Leisure & Working Group' continues to operate under the new Terms of Reference of:**

*'To oversee the development of the project and consider the final Procurement Report for Full Council to determine the way forward'.*

##### 3.0 KEY ISSUES

- 3.1 To update members on the progression of the Leisure Vision, officers supported by the Leisure Consultant appointed on this project, presented to an all member briefing on 14<sup>th</sup> March 2016. Further sessions were also held with members who were unable to attend the all member briefing and requested a briefing. The set of presentation slides for these sessions are attached as Appendices D and E respectively.

This report includes consideration of the comments and feedback received during these briefings.

- 3.2 Members of the Policy, Finance & Administration on 2 December 2014, considered the Outline Leisure Vision Business Case. In considering the facility development options outlined in that report, it was identified that there are two principle options as summarised below.

- **Leisure Vision Option** – which included a new artificial grass pitch for the main stadium for football and rugby and indoor facilities including a new sports hall.

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- **Stadia Enhancement Option** – which delivers similar facilities to the Vision Option but excluding the indoor sports hall, relying on the existing sports hall provision.

Members should note that the minimum option (standstill) is to secure a medium term management agreement for the existing site/facility. On this point members will note from appendix D, that the facility has seen significant improvements in participation at the current facility, with percentage usage increasing to near full capacity in some areas and also the introduction of new activities for a wide range of users.

Members approved the Outline Business Case and the progression of the Vision Option; with the stadia Enhancement Option and the standstill option being the fall back position. A full list of the options that were considered is attached as Appendix C.

- 3.3 Members also approved the establishment of a Melton, Sports, Leisure & Culture Working group to develop a detailed Business Case for presentation to Full Council. The development of the Business Case by the Working Group included reviewing high level financial projections and modelling, considering the operational management arrangements and considering the options to progress onto the next stage.

### Detailed Melton Sports & Leisure Village Business Case.

- 3.4 The Business Case is attached at Appendices A (open) and B (exempt) respectively.

Appendix A covers:-

- Introduction & Background
- Design Concepts
- Operational Projections
- Procurement Strategy
- Recommended Way Forward.

Appendix B is the full Detailed Business Case and also includes financial projections and models, which at this stage are considered commercially sensitive and this is attached as Exempt Appendix B.

- 3.5 The intention is to procure through an OJEU, a Design, Build, Operate and Maintain (DBOM) contract, seeking a consortium that would design and build the MSLV and then operate for 20 years through a contract, which transfers the risk to the contractor for the build costs and guaranteed revenue stream, including the stand still option for a shorter term. Members are asked to note that this is one procurement exercise covering all three options.
- 3.6 The site layout presented is the aspirational layout and members should note that costings have been developed which provide for a minimum and scheme to deliver the key aspects of the project and based on a 3G AGP stadium, with clubhouse new grass pitches.
- 3.7 There is the need to identify a new partner for the operation of the existing MSLV once the existing contract with SLM ends in June 2017. As a result of this and the potential to deliver the new facilities it is recommended that the Council commence the procurement which seeks bids based on three principle options, as follows:

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- A contract for the continued operation of the existing facilities (circa 5+5 year contract – to link in with the existing contract for Waterfield).- Standstill Option.
- DBOM contract for new facilities based on the Vision Option – to deliver at least the minimum facilities, but ideally the aspirational facilities in the design layout.
- DBOM contract for new facilities based on the Stadia Enhancement Option – to deliver at least the minimum facilities, but ideally the aspirational facilities in the design layout.

3.8 It is recommended that the Procurement include an affordability level which is based on the following principles:

- Funding for the capital build will be provided by the Council's capital receipts already set aside for this purpose and grant funding. Any additional capital required will need to be funded through either prudential borrowing (financed by the facilities income stream) or through the bidder providing the capital investment (projections to be provided for both the Council or the Bidder funding) and bidders will need to account for the financing of these through their revenue projections.
- Overall the net revenue position (including any financing of prudential borrowing) should be at worst a break even position, so there is no additional revenue cost to the Council.

3.9 The Council will then be in a position to consider the various financial propositions once initial bids have been received from the market and following the submission of detailed solutions.

3.10 In parallel to the procurement approach the Council would progress with funding applications, so that it is clear on the potential funding options once the bids are received.

3.11 This approach also means that the Council can still proceed with a contract on the existing facilities if the new facilities are not fundable. It is also intended that officers will build into any contract for the existing arrangements/assets the ability to develop new facilities if funding comes available.

3.12 Members are asked to approve this approach and the recommendations above. The next steps would then include:

- Preparation of procurement documentation (including specifications and other documentation) to enable the procurement of a key partner to be commenced.
- Commencement of the procurement of a partner to deliver the future MSLV.
- Continued extensive consultation with key stakeholders and funders to enable applications to be completed.

3.13 The Working Group will be tasked to oversee this process and to bring a report back to Full Council at the end or at any stage of the process for a final decision. Members are asked to note that the Council can review at any stage of the procurement process the Council's participation and no commitment towards the funding of the project will be made at any stage, until a report is brought back to Full Council.

### 4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 There are clear links to the Council's Corporate Plan Priorities specifically:

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- Improving the well-being of vulnerable people;
- Increasing public confidence & pride in neighbourhoods;
- Meet the Economic needs of Borough;

4.2 The Leisure Vision is also approved by the Melton Community Partnership and links into the Council's Corporate Plan and the Melton Sustainable Community Strategy priorities around Health and Well-being.

4.3 Members at the briefing were also made aware of the significant health and Economic benefits of Sport, Leisure and Physical Participation. In regards to health outcomes, Melton's average percentage participating in sport, leisure and physical activity is above the national average and shows the average life expectancy in Melton higher than the national average when we know 17% of deaths are caused by inactivity.

In regards to the economic value, we know that £12.5m is the direct economic value of sport in the borough, which also employs 340 people in this industry. Further details are provided in Appendix D.

### 5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Members of Policy, Finance and Administration Committee at their meeting of 18<sup>th</sup> July 2013 approved:

*"an earmarked capital receipts reserve be created containing £1,000,000 earmarked from General Fund Capital Receipts for the Leisure Vision project".*

Members also allocated from this earmarked funding a sum of £90,000 to help facilitate moving Melton Mowbray Football Club onto the site. Members of the Policy, Finance and Administration Committee at their meeting of 13<sup>th</sup> March 2016 are being asked to increase the budget by £50,000 as part of meeting the grading requirements set out by the Football Association, which include supported toilets, standing/seating arrangements, fencing and a ticket booth. This will also cover the increased costs as a result of diverting services, from the original plan, due to the presence of a data cable on the site; A grant application for this additional £50,000 has been submitted to the Football Association to fund this.

5.2 Members are asked to note that the recommendations contained in this report do not commit the Council into any agreement or allocation of budgets from the earmarked monies for this project. There would be consultancy costs during the procurement phase; however, these will be met from already approved budgets.

5.3 The capital costs identified have been used in the analysis of the financial implications for the development as detailed in the Appendices. In particular it should be recognised that these are budget costs only and will be developed further through procurement. The minimum costs identified have been used as the essential requirements but the DBOM approach would seek to deliver the aspirational layout and facilities as per the design concepts, subject to funding. Section 2.16- 2.30 of the Detailed Business Case (Appendix B) further identifies the assumptions under which the capital costs have been prepared.

5.4 Section 3.34-3.37 of the Detailed Business Case (Appendix B) presents two scenarios in respect of the potential revenue position, namely:

- Vision Option – including the new Sports Hall facilities and conversion of the existing sports hall to a more commercial approach (such as extreme sports or indoor 3G AGP);
- Stadia Enhancement Option – excluding the new Sports Hall and retaining the existing sports hall as a sports hall.

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5.5 Members are asked to note that under both DBOM scenarios the projections show a surplus to the Council which would be a management fee paid by an operator to the Council annually and section 3.38 of the business case explains how these figures have been prepared. Should the council determine to prudentially borrow to fund any shortfall in capital requirements this management fee would be available to support any borrowing costs.

### 5.5.1 Funding Opportunities

There are three principal sources of funding, which include:

- Grant funding – from organisations such as Sport England, the FA and other Governing Bodies. Members should note that an expression of interest for funding towards the stadia has been submitted to the football foundation and a discussion in relation to match funding has taken place with the Rugby Football Union.
- Developer contributions (or CIL), where funding is achieved from the sale of land for residential or commercial development; and
- Public sector funding – either from the organisations own capital resources or through prudential borrowing. It is likely that prudentially borrowing will represent a lower cost form of funding as council's can borrow more cheaply than the private sector. However the, market testing of both scenarios will indicate the extent to which this is the case.

Sections 3.43-3.59 of the detailed business case provides further information on the funding opportunities.

## 6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no direct legal implications from the recommendations in this report as the Council will not commit to any form of agreement for the longer term management of the facility until a report of brought back to Full Council for a final decision on the way forward.

6.2 With regards to the current organisations that use the site, appropriate agreements are in place and any future development of the Melton Sports and Leisure Village (MSLV) will need to consider the options for future management and delivery, to reflect both the clubs interests and approach and also to maximise the commercial and sporting return through the appointment of professional leisure management contractors.

6.3 The current interim management arrangement with SLM is for 2 years (commenced 29 June 2015) and at the very least officers will have to procure a new management contractor of the existing site and facilities which this procurement will also deliver – the standstill option.

## 7.0 COMMUNITY SAFETY

7.1 There are no specific implications arising from this report, although it is possible that some members of the Community may propose services and facilities which may improve the offer to young people and potentially reduce Anti-Social Behaviour.

## 8.0 EQUALITIES

8.1 There are no direct Equalities issues arising from this report, however, Equalities Impact Assessments will be required as the development of the Vision progresses further taking into account 'Hard to reach' groups

## 9.0 RISKS

9.1 Are set out in the table below: -

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Probability  
↓

Very High A				
High B				
Significant C			2	
Low D			1,3	
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

Impact  
→

Risk No.	Description
1	Option B within the Business Case leads to a significant revenue cost to the council
2	Failure to secure capital funding required
3	Reputational risk of procurement not being successful

## 10.0 CLIMATE CHANGE

10.1 There are no specific Implications in this report relating to Climate Change.

## 11.0 CONSULTATION

11.1 The Leisure Vision has been developed through a borough-wide consultation exercise that attracted over 2,500 responses. In addition there has been on-going Sports Clubs and Organisations consultation undertaken. There has also been extensive consultation with:-

- National Governing Sports Bodies
- Sport England
- RFU/FA
- LeicesterShire Rutland Sport

11.2 The communications strategy for this project will need to take fully into account the different options that are being considered one being very similar to the existing arrangements through to a significantly enhanced offer.

11.3 Local Councillors have set up a local residents meeting which has met once and going forward will be used a vehicle to consult and inform local residents.. Appendix D further provides details of the community and business involvement so far in this project.

## 12.0 WARDS AFFECTED

12.1 All wards are affected.

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Date: 16 March 2016

Appendices: Appendix A – ‘Open’ Detailed Business Case  
Appendix B—Exempt Detailed Business Case  
Appendix C- Options for delivery  
Appendix D- Members Briefing on Leisure Vision Background and Progress  
Appendix E- Members Briefing on Leisure Vision Business Case

Background Papers: Exempt PFA report of 2 December 2014

KKP draft report- Playing Pitch Strategy  
KKP draft report on Open Spaces Assessment  
KKP draft report on Indoor facilities Assessment.

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