

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 1 December 2014

Portfolio:	Policy and Resources
Subject:	Western Wards Leisure Centre - Project Funding
Report of:	Director of Finance and Resources
Strategy/Policy:	Leisure Strategy Asset Management Plan Finance Strategy
Corporate Objectives:	Leisure For Health and Fun A dynamic, prudent and progressive Council

Purpose:

Following the consideration of a report by the Executive on 7 April 2014 which gave approval to the Western Wards Leisure Centre, this report makes proposals for the replenishment of the capital reserves through the sale and/or disposal of Council assets in the Western Wards to assist the financing of the facility.

Executive summary:

On 7 April 2014, the Executive considered a report that sought approval to the development brief and project funding, so that work could commence on the design, procurement and construction of a new Leisure Centre on land at Coldeast. The Executive agreed the report and requested that officers explore the options for replenishing the Council's capital reserves being used for the project, through the sale of existing assets within the Western Wards.

This report therefore advises on assets in the Western Wards which could be considered for disposal. Due to the number and estimated value of the assets identified and having regard to the proposed cost of the leisure facility, the report also outlines other sources of income which could be considered to assist the funding required.

Recommendation:

It is recommended that the Executive;

- a) Consider the list of assets contained in the report, and in confidential Appendix B; and
- b) Agree the funding arrangements for the Western Wards Leisure Centre.

Reason:

To agree the funding arrangements for the Western Wards Leisure Centre.

Cost of proposals:

The estimated cost of the Leisure Centre is £7m inclusive of fees. The estimated values of the assets which could be considered for disposal are shown in the confidential Appendix B.

Appendices:

A: Plans

B: Confidential Appendix detailing assets which can be considered for disposal in the Western Wards, (Exempt By virtue of paragraph(s)1 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972.)

Background papers:

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BOROUGH COUNCIL

Executive Briefing Paper

Date: 1 December 2014

Subject: Western Wards Leisure Centre - Project Funding

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The Executive on 7 April 2014 considered a report that sought approval to the development brief and project funding to enable work to commence on the design, procurement and construction of a new Leisure Centre on the land at Coldeast transferred to the Council from the Homes and Communities Agency. The Executive accepted the recommendations in the report which included that officers be requested to bring forward a further report exploring the options for replenishing the Council's capital reserves through the sale of existing assets within the Western Wards.
2. This report therefore advises on assets in the Western Wards which could be considered for disposal. Due to the number and estimated value of the assets identified and having regard to the proposed cost of the leisure facility, the report also outlines other sources of funding which could be considered to assist the funding required.

DISPOSAL OF ASSETS

3. A review of the Council's property interests in the Western Wards was carried out, with a view to identifying those which could generate value for the Council, and therefore be used to replenish the capital funds. While the Council owns many parcels of land, (for example, public open spaces, verges, coastline, etc.), the majority of these interests are protected through covenants which restrict their uses. In these cases, it is not possible to release any value from the sites, and were therefore ignored in this exercise.
4. A number of sites are also owned by the Council for commercial purposes. Sites such as Clifton House, Segensworth, which was acquired under the Commercial Property Investment Acquisition Strategy is an example. Clearly these sites have a tangible value, but have not been recommended for disposal, as this would directly undermine the General Fund revenue position.
5. Having completed the review, 4 sites have been identified, which could be considered for disposal. These are:-

- the site of the Genesis Centre (subject to the re-provision of the youth facility within the District Centre site),
 - an area of land to the rear of the Queen’s Head Titchfield,
 - the Lockwood Day Care Centre ground lease, and
 - an area of land at Garston’s Close Titchfield.
6. Appendix A contains plans of these assets and Confidential Appendix B gives further information in respect of each site including details of other assets which are not recommended for disposal.
7. If the Executive is minded to support the disposal of these sites, further detailed work will be carried out to assess the likely potential uses of the sites, the most appropriate method of disposal, and the appropriate consultations that would be required before disposal can take place.

FINANCIAL RESOURCES

8. At the April Executive, Members approved a provisional budget of £7m to fund the Western Wards Leisure Centre to be partly funded from the Council’s capital reserves and topped up with £1.5m funded from prudential borrowing.
9. The principle of using prudential borrowing was based on loan repayments being met from surplus revenues generated from the leisure facility. At this early stage of the development, however, the financial operating position is unknown so there is a risk that the loan repayments would fall upon the General Fund if they cannot be met in full by the Leisure operation.
10. Also in the current economic climate, borrowing rates greatly exceed the lending rates achieved by keeping the money in reserves. For these reasons, the proposals below enable the Leisure Centre project to be funded in full without relying upon prudential borrowing.
11. The value of the asset disposals and other opportunities to replenish the capital fund have been identified as follows:

Funding Source	£
Asset Disposals	600,000
Use of Unallocated Enabling Fund	2,500,000
Community Infrastructure Levy	2,400,000
New Homes Bonus	1,500,000
Total	7,000,000

12. There is currently £2.5m unallocated in the capital programme for Enabling. The Enabling fund was set up a number of years ago following the sale of part of the Council’s interest in the Fareham Shopping Centre. In previous years, this budget has been utilised, but by securing alternative external grants, affordable housing schemes have progressed without the need to use this funding, and it has remained unallocated for a number of years. It is therefore proposed that this budget is now returned to the capital fund, and alternative mechanisms (such as directly building council housing via the Housing Revenue Account, and working with the Council’s Joint Venture housing company) are pursued for the delivery of affordable housing rather than grant giving.

13. Since the Community Infrastructure Levy (CIL) was introduced in May 2013, £2.3m of demand notices have been issued. The Council's Regulation 123 list outlines the infrastructure projects or types of infrastructure that will be, or may be, wholly or partly funded by CIL. The provision of the Western Wards Leisure Centre is included in this list.
14. £2.2m of demand notices have been issued for developments in the Western Wards with a large proportion of this from the Peters Road development in Locks Heath. There is also £200,000 in the pipeline from potential developments in the Western Wards. It is therefore recommended that the first call on these CIL receipts, totalling £2.4m, is for purposes of funding the Western Wards Leisure Centre.
15. The Council has received £1.9m of New Homes Bonus since its introduction in 2011/12. In line with the Council's Finance Strategy, this amount has been earmarked for capital schemes that meet the Council's corporate priorities. It is recommended that the remaining balance for the Leisure Centre is funded from the New Homes Bonus.
16. If the capital receipts generated from the disposal of the assets in Appendix B are more or less than estimated, then the use of New Homes Bonus would be adjusted accordingly.
17. The April report also highlighted that additional funding will need to be identified and allocated at a future date for the access road, the setting out of the cemetery, allotments and construction of a new community building. The costs of these are still unknown and will therefore be subject to a future report to the Executive.

CONCLUSION

18. This report proposes a replenishment strategy through the sale of assets in the Western Wards to fund the Western Wards Leisure Centre.
19. It also identifies other funding sources without the need make use of prudential borrowing and therefore de-risking the funding arrangements for the Western Wards Leisure Centre.

Reference Papers:

Strategic Leisure: Revised Western Wards Swimming Pool Feasibility Study: July 2013

7 April 2014 Executive – Western Wards Pool – Project Approval