

10.00am, Thursday 9 February 2017

## New Meadowbank Update - referral from the Culture and Sport Committee

Item number	4.5
Report number	
Wards	All

### Executive summary

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An update was provided on the project to provide a new Meadowbank sports centre and associated facilities including proposals for the wider regeneration of the existing site through residential and commercial development.

The report has been referred to the Council for consideration of the anticipated funding gap of £7.9m for the project as part of the budget setting process.

### Links

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<b>Coalition pledges</b>	See attached report
<b>Council priorities</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report

# Terms of Referral

## New Meadowbank Update

### Terms of referral

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- 1.1 An update was provided on the project to provide a new Meadowbank sports centre and associated facilities including proposals for the wider regeneration of the existing site through residential and commercial development.
- 1.2 The funding package for the sports centre included capital receipts from the Housing Revenue Account for land for house building, disposal of a site to market for commercial development, Edinburgh Leisure borrowing and a **sportscotland** grant. At this stage, there remained a funding gap of £7.9m for the project.
- 1.3 The following vote took place:

#### Motion

- 1) To note the update on progress with the project to deliver a new Meadowbank sports centre and associated facilities.
  - 2) To refer the anticipated funding deficit of £7.9m for the new sports centre to full Council for consideration as part of the Council's budget setting process in February 2017.
  - 3) To note that funding was available from the Housing Revenue Account to purchase parts of the existing site for housebuilding. The capital receipt received would be used to support the development of the new sports centre.
- moved by Councillor Lewis, seconded by Councillor Austin Hart

#### Amendment

- 1) To note the update on progress with the project to deliver a new Meadowbank sports centre and associated facilities.
  - 2) To refer the anticipated funding deficit for the new sports centre to full Council for consideration as part of the Council's budget setting process in February 2017.
  - 3) To note that funding was available from the Housing Revenue Account to purchase parts of the existing site for house building. However, notes that the City of Edinburgh Council has a public service obligation to obtain best value and therefore agrees that these parts of the site should be available for sale on the open market for housing development, noting this would include 25% affordable housing for a set length of time before reverting to HRA funding and without further delaying the project. The capital receipt received will be used to support the development of the new sports centre.
- moved by Councillor Paterson, seconded by Councillor Mowat

## Voting

For the motion - 10 votes

For the amendment - 2 votes

## Decision

To approve the motion by Councillor Lewis.

## For Decision/Action

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2.1 Council is asked to consider the anticipated funding gap of £7.9m for the new Meadowbank project as part of the budget setting process.

## Background reading / external references

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[Minute of the City of Edinburgh Council 10 March 2016](#)

[Minute of the Culture and Sport Committee 14 December 2016](#)

## Kirsty-Louise Campbell

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## Links

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<b>Coalition pledges</b>	See attached report
<b>Council priorities</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendix 1</b>	Report by the Acting Executive Director of Communities and Families

# Culture and Sport Committee

2pm, Wednesday, 14 December 2016

## New Meadowbank Update

### Item number

### Report number

### Executive/routine

Executive

### Wards

All

### Executive summary

This report provides the latest update on the project to provide a new Meadowbank sports centre and associated facilities which includes wider regeneration of the existing site through residential and commercial development.

The funding package for the sports centre includes capital receipts from the Housing Revenue Account for land for housebuilding, disposal of a site to market for commercial development, Edinburgh Leisure borrowing and a **sportscotland** grant.

The latest proposals result in an estimated capital funding shortage of £7.9m for the sports centre. Committee is asked to refer this report to Council as part of its budget considerations on 9 February 2017. If funding cannot be found, or Committee decides in any case not to proceed, an immediate review of Meadowbank project will be required. Committee is requested to note that funding for housing development on the surplus sites is available from the Housing Revenue Account.

Development of a new sports centre, housing and commercial development at Meadowbank will meet a number of Council objectives; including regeneration of the area and support for the local economy.

### Links

#### Coalition pledges

[P42, P43, P45](#)

#### Council priorities

[CP2, CP12](#)

#### Single Outcome Agreement

[SO2](#)

## New Meadowbank Update

### Recommendations

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- 1.1 Note the update on progress with the project to deliver a new Meadowbank sports centre and associated facilities.
- 1.2 To refer the anticipated funding deficit of £7.9m for the new sports centre to full council for consideration as part of the council's budget setting process in February 2017.
- 1.3 Note that funding is available from the Housing Revenue Account to purchase parts of the existing site for housebuilding. The capital receipt received will be used to support the development of the new sports centre.

### Background

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- 2.1 A report to The City of Edinburgh Council on [10 March 2016](#) outlined a strategy for the redevelopment of the existing Meadowbank complex which included a commitment to the provision of a new sports centre and associated facilities and the release of three sites for other development to generate funding for the new sports centre. It has been agreed that two of the sites released would be transferred to the Housing Revenue Account for future residential development and the third site sold on the open market for commercial development.
- 2.2 The report also approved that £0.7m from the Strategic Investment Fund (to be refunded from the project budget when established) could be used to develop the design for the sports centre and associated facilities to RIBA Stage 4 and approved the principle of covering the remaining project funding gap by using an element of the unallocated funding in the Capital Investment Programme in the years 2019/20 and 2020/21. Following the design to RIBA Stage 4 it was agreed a tender exercise would be carried out to establish the actual costs of the project and determine the actual funding that would be required from the Capital Investment Programme to ensure delivery of the new facilities.

### Main report

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- 3.1 Following the report to Council in [March 2016](#) a design team was appointed through the Council's Professional Services Framework to take forward the design to RIBA stage 4. To date the design process for the sports centre has reached RIBA stage 2 which has allowed the cost estimates for the new facilities to be updated. A masterplan for the wider site including a review of the level of housing and commercial development opportunities has also been undertaken.

3.2 In parallel with the design process, consultation with national sports governing bodies, local user groups and other key stakeholders has been undertaken to establish the extent of the sporting facilities which will require to be delivered. Proposal of Application Notices (PANs) for the sports centre and the wider masterplan area, which are required as part of the planning process for development of this scale, have also been submitted and two public engagement events outlining the proposals and requesting feedback were held on 17 and 22 November. Details of the proposals and a feedback questionnaire are available online ([www.edinburgh.gov.uk/newmeadowbank](http://www.edinburgh.gov.uk/newmeadowbank)) until the end of December 2016. Following the end of the PAN consultation period it is the intention that a detailed planning application for the new sports centre will be submitted which will include a report on the outcomes of the public consultation.

### Update on Funding Package

3.3 Since the last report to Council the estimated cost of providing the sports centre, the level of capital receipts and the amount of funding available from Edinburgh Leisure have all been revised. Further discussions have also been held with **sportscotland** and a stage 1 funding application to their sports facilities funding programme was submitted at the beginning of December. **Sportscotland** have been fully engaged in the ongoing consultation process, have attended project meetings and working groups and are fully aware of the project requirement for the level of funding requested in the application.

3.4 The table below provides the latest cost and income estimates for each element of the funding package and identifies the resultant funding gap which it is estimated will be required from the Council's Capital Investment Programme.

<b>Estimated cost and financial package for a new Meadowbank</b>	<b>December 2016</b>
<b>Total project cost estimate</b>	£43.5m
<b>Funding Sources</b>	
Capital Receipts from HRA transfer and commercial site	£21.8m
Edinburgh Leisure Borrowing and Savings	£6.8m
<b>sportscotland</b>	£7m
<i>Total funding</i>	£35.6m
<b>Current Estimated Funding Gap</b>	<b>£7.9m</b>

- 3.5 Above and beyond normal construction contingency (7.5% of the estimated construction costs at RIBA stage 2 design) the project cost estimate for the new sports centre includes an additional £2.5m of contingency aligned to specific risk including the diversion of a sewer and other potential construction abnormalities. However, negotiations with Scottish Water to develop a construction methodology which may avoid the sewer diversion and assessments by the design engineers are ongoing with a view to significantly reducing these risk costs. The design team will also be tasked to continue to reduce the estimated costs of construction as the design progresses through RIBA stages 3 and 4.
- 3.6 The estimated receipts for the commercial development site could also generate more funding for the project. Therefore, while fluctuations in the funding package will continue until the final design, construction procurement and land sales are completed, the cost estimate above still has the potential to be reduced and it is anticipated an allocation from the Capital Investment Programme to cover the estimated funding gap would allow the project to continue at an acceptable level of risk.
- 3.7 Due to the level of competition from all areas of the Council for the limited unallocated funding in the Capital Investment Programme it is recommended that the report is referred to Council for consideration for funding to cover the anticipated funding gap through the Council's capital budget setting process. Based on the latest programme for delivery of the sports centre, funding of £1.422m in 2017/18, £3.95m in 2018/19 and £2.528m in 2019/20 is required. Any expenditure incurred by the project to the end of March 2017 from the £0.7m allocation in the Strategic Investment Fund would be repaid from the 2017/18 capital allocation.
- 3.8 Should the Committee agree to progress with the recommended capital funding request for this project then the design team would continue to progress with the preparation of a detailed planning application for the project. If the capital funding request is successful the project would then continue beyond the planning stage to full design and construction. The contract for construction would not be let until approved by the Finance and Resources Committee.
- 3.9 The current estimated closure date for the existing sports centre is the end of August 2017 with an expected demolition and construction period of two years. As noted in previous reports, the facility cannot be refurbished to a satisfactory standard and there is a limit to the length of time it can remain operational.
- 3.10 If the funding request is not successful then it is recommended that a full review of the project will be required and that the outcomes of the review would be reported to the next available Culture and Sport Committee.

### **Wider Masterplan**

- 3.11 Development of a new sports centre at Meadowbank creates an opportunity to regenerate this part of the city. Proposals for the wider site include development

of more than 300 homes; including affordable housing, a hotel and student housing. This will create jobs and support for the wider economy.

## Measures of success

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- 4.1 Measures of success are:
- Delivery of a new sports facilities at Meadowbank which meet the needs of all user groups including positive benefits in terms of health and wellbeing;
  - Development of more than 300 new homes; including affordable housing;
  - Support for jobs and the wider economy.

## Financial impact

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- 5.1 A total of £0.107m in revenue has been spent to date on developing the new Meadowbank proposal.
- 5.2 The total cost of the new sports complex is now estimated to be £43.5m. The estimated total funding which could be achieved is £35.6m. (This is predicated on transferring two surplus sites to the HRA and disposing of a site for commercial development to market.) The total project cost could potentially reduce further, depending on the outcome of the eventual tender process to appoint a contractor. Equally, rising construction inflation could increase the total project cost.
- 5.3 The remaining projected shortfall for the sports centre is £7.9m and it is now recommended that this report is referred to Council to consider this anticipated funding gap through the Council's capital budget setting process in February 2017.
- 5.4 The contribution to be made to the project by Edinburgh Leisure through borrowing and savings is based on a business case that demonstrates the associated revenue income / saving streams that would be generated to pay for annual loan charges. The proposed level of prudential borrowing has been in part calculated by assuming that the improved operating position of the new facility would remove the requirement for a service payment.
- 5.5 The prudential borrowing element of the funding requires the new Sports Centre to operate without a service payment from the Council and for the service payment for the existing facility to be made available by the Council to part-fund the assumed prudential borrowing element of funding. Further sustainable revenue income and saving streams will be required to pay the annual loan charges required from prudential funding.
- 5.6 Pending realisation of the full funding package, the Council could incur additional borrowing costs to fund the timing of payments. These costs will be known once the procurement solution is identified and the cost and income profile is known.
- 5.7 The report outlines proposed total capital expenditure plans of a maximum of £43.5m with identified funding of £35.6m and a remaining funding gap of £7.9m.



If this funding gap were to be funded fully by borrowing, the overall loan charges associated with this expenditure over a 20 year period would be a principal amount of £7.900m and interest of £5.143m, resulting in a total cost of £13.042m based on a loans fund interest rate of 5.1%. The annual loan charges would be £0.652mm.

- 5.8 It should be noted that the Council's Capital Investment Programme is funded through a combination of General Capital Grant from the Scottish Government, developers and third party contributions, capital receipts and borrowing. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy and is provided for on an overall programme basis rather than for individual capital projects.
- 5.9 If the decision is taken not to proceed with the proposed new Meadowbank, a further report on the financial and other implications of this will be required within six months. As noted in previous reports, the facility cannot be refurbished to a satisfactory standard and there is a limit to the length of time it can remain operational.

## **Risk, policy, compliance and governance impact**

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- 6.1 All Communities and Families capital projects are delivered in line with the Council's Risk Management Policy and Framework. The new Meadowbank project is overseen by an Investment Steering Group which operates based on the project management principles of Prince 2 following the same governance structure as all other Council major projects. The consideration and management of risk is undertaken through this group. The total project cost and funding projections are estimates and are subject to fluctuating market conditions and inflation which may affect the scope and delivery of the project. Construction inflation has increased since February 2015 and (at the time of writing) is still rising. The capital receipt estimates are based on current day prices and informed by independent valuations.
- 6.2 The prudential funding element of the funding package requires the new Sports Centre to operate without service payment and for additional annual efficiencies and income to cover loans charges. The risk of any shortfall against these targets is borne by Edinburgh Leisure.
- 6.3 The revenue costs and income projections in the business case for the new Sports Centre's operation are subject to regular review and updating which could change the prudential borrowing level.
- 6.4 The Planning risk has been mitigated by preparing Planning guidelines for the site with Planning.
- 6.5 If the project does not proceed, or is reduced in scope, design fees related to the abortive elements of the project will require to be written off to the revenue budget.

- 6.6 Since Meadowbank is Edinburgh's biggest driver of indoor and outdoor sport participation, the closure of this facility would have a negative impact on levels of physical activity and participation in sport by Edinburgh residents of all ages. As reported to the Corporate Policy and Strategy Committee on 29 September 2015, an independent consultancy advises that there would be a serious under-supply of facilities and services if Meadowbank is closed and not replaced.
- 6.7 This would have a negative impact on the delivery of key policies including the Physical Activity and Sport Strategy agreed by the Council and city partners; two of the Council's Pledges; and the Scottish Government's Active Scotland Outcomes Framework. The health effects of an inactive life are serious. Inactivity accounts for over a third of deaths from heart disease and threatens the progress made in this area over many years. Added to this is the disease, disability and poor mental health that come from growing levels of obesity and a lack of physical strength. Physical inactivity has been called the 'silent killer of our time'. As reported in a [2012 article in The Lancet](#), "Elimination of physical inactivity would remove between 6% and 10% of the major non-communicable diseases of Coronary Heart Disease, type 2 diabetes, and breast and colon cancers, and increase life expectancy."
- 6.8 If this project does not proceed, and services are withdrawn from Meadowbank, the capital city would no longer have a flagship multi-sport facility. Regional training needs and Edinburgh's general health and wellbeing would be adversely affected. The city would have fewer regional-level sporting facilities than its peer city group and lose the ability to train Edinburgh's future sportsmen and sportswomen.
- 6.9 Whilst the surplus sites at Meadowbank could be developed independently of a new sports centre, the overall impact of the regeneration would be reduced with fewer benefits delivered.

## Equalities impact

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- 7.1 The new sports centre at Meadowbank will be a modern, fully accessible, high quality facility open to all Edinburgh residents and visitors. The new facility would make a positive impact on the health, well-being and quality of life of those who use it. The facility is currently projected to attract over 600,000 visits per year by the second year of its operation. The current Meadowbank has just over 500,000 visits per year. If the project does not proceed, the impact on current users losing this facility would require to be assessed.
- 7.2 All new homes developed on the surplus sites will be high quality, energy efficient and accessible. A proportion of the new homes will be suitable for frail, older people and wheelchair users.

## Sustainability impact

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- 8.1 The new Meadowbank sports centre will be designed wherever possible in line with the Council's policies on energy efficiency and sustainability. New housing

is built to high standards of energy efficiency and sustainability with brown field housing development reducing the impact on Edinburgh's greenbelt.

## Consultation and engagement

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- 9.1 Significant consultation and engagement with national sports governing bodies and local users of the sports facilities has been undertaken to date and will continue throughout the future phases of the project.
- 9.2 Public consultation events as required through the planning process following the submission of a Proposal of Application Notice have been carried out and a consultation webpage ([www.edinburgh.gov.uk/meadowbank](http://www.edinburgh.gov.uk/meadowbank)) including an online feedback questionnaire is available to the end of December.

## Background reading/external references

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Report to Council on [10 March 2016](#)

Report to Finance and Resources Committee on [26 November 2015](#)

Report to Economy Committee on [17 November 2015](#)

Report to Corporate Policy and Strategy Committee on [29 September 2015](#)

Minute of Council on [12 February 2015](#)

Report to Corporate Policy and Strategy Committee on [20 January 2015](#)

Report to Culture and Sport Committee on [17 December 2013](#)

Nine previous reports on National and Regional Sports Facilities (incorporating Meadowbank) to Council, Culture and Leisure Committee, and the Culture and Sport Committee, from 2004 to present, culminating in a [March 2008](#) report to Council

Scottish Government [Active Scotland Outcomes Framework](#)

## Alistair Gaw

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## Links

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<b>Coalition pledges</b>	P42 – Continue to support and invest in our sporting infrastructure
	P43 – Invest in healthy living and fitness advice for those most in need
	P45 - Spend 5% of the transport budget on provision for cyclists

<b>Council priorities</b>	CP2 - Improved health and wellbeing: reduced inequalities CP12 - A built environment to match our ambition
<b>Single Outcome Agreement</b>	S02 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health