

Finance and Resources Committee

10.00am, Thursday 23 March 2017

Hunter's Hall Project - referral from the Culture and Sport Committee

Item number	7.13
Report number	
Wards	All

Executive summary

The Culture and Sport Committee on 20 March 2017 considered the attached report by the Acting Executive Director of Communities and Families providing an update on progress with the Hunter's Hall Project and work being undertaken to address the funding gap of £1.7m.

The report has been referred to the Finance and Resources Committee for approval of the cost of progression of the project to RIBA Stage 4 (Technical Design) at a cost of up to £268,000.

Links

Coalition pledges	See attached report
Council priorities	See attached report
Single Outcome Agreement	See attached report

Terms of Referral

Hunter's Hall Project

Terms of referral

The Culture and Sport Committee had previously noted the progress made on the Hunter's Hall Project to develop a cycling hub, synthetic pitches and to upgrade the Jack Kane Sports and Community Education Centre.

An update was provided on the outcome of funding options which had been explored to address the funding gap of £1.7m.

The Culture and Sport Committee agreed:

- 1) To note the progress made on the project since 31 May 2016.
- 2) To note that the scope of the project had been reduced in line with available resources, and that the proposed BMX track might now form a later phase of the project.
- 3) To note the cost of the progression of the project to RIBA Stage 4 (Technical Design).
- 4) To refer the report to the Finance and Resources Committee for approval of the cost of the progression of the project to RIBA Stage 4 (Technical Design); at a cost of up to £268,000.
- 5) To approve that Edinburgh Leisure take over the lead role in the project and to request that Council officials work with them to prepare business plans for the new and upgraded facilities.
- 6) To note that Edinburgh Leisure would work with Council officials to develop a funding solution to support the upgrading of the Jack Kane Centre.
- 7) To note that further details of the project governance structure and the procurement proposals would be reported to a future meeting of this Committee and that this report would also detail the approach to further consultation and engagement with stakeholders and community organisations.
- 8) To refer the report to the Corporate Policy and Strategy Committee for noting.

For Decision/Action

- 2.1 The Finance and Resources Committee is asked to approve the cost of the progression of the project to RIBA Stage 4 (Technical Design) at a cost of up to £268,000.

Background reading / external references

[Minute of Culture and Sport Committee 31 May 2016](#)

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Links

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

Culture and Sport Committee

2.00pm, Monday, 20 March 2017

Hunter's Hall Project

Item number	8.2
Report number	
Executive	
Wards	All, and Portobello/Craigmillar in particular

Executive summary

Following the previous report to the Culture and Sport Committee in [May 2016](#), work has continued on the fundraising and value-engineering for this project. An application to the Scottish Government Regeneration Capital Grant Fund was unsuccessful, which has limited remaining options for resolving the project funding gap. Edinburgh Leisure have offered to take over the lead role in the project and agreed in principle to develop a funding solution specifically for the upgrading of the Jack Kane Sports Centre. It is proposed that the BMX facility could be built as part of a later phase of the project, as and when further funding becomes available. Approval is sought to allow this project to be taken to the next stage, with Edinburgh Leisure taking the lead role.

Links

Coalition pledges	P42, P45
Council priorities	CP2, CP6, CP12
Single Outcome Agreement	SO2, SO3, SO4

Hunter's Hall Project

1. Recommendations

- 1.1 It is recommended that the Culture and Sport Committee:
 - 1.1.1 notes the progress made on this project since 31 May 2016;
 - 1.1.2 notes that the scope of the project has been reduced in line with available resources, and that the proposed BMX track may now form a later phase of the project;
 - 1.1.3 notes the cost of the progression of the project to RIBA Stage 4 (Technical Design);
 - 1.1.4 refers this report to the Finance and Resources Committee for approval of the cost of the progression of the project to RIBA Stage 4 (Technical Design); at a cost of up to £268,000;
 - 1.1.5 approves that Edinburgh Leisure take over the lead role in the project, and to request that Council officials work with them to prepare business plans for the new and upgraded facilities;
 - 1.1.6 notes that Edinburgh Leisure will work with Council officials to develop a funding solution to support the upgrading of the Jack Kane Centre;
 - 1.1.7 notes that further details of the project governance structure and the procurement proposals would be reported to a future meeting of this Committee; and
 - 1.1.8 refers this report to the Corporate Policy and Strategy Committee for noting.

2. Background

- 2.1 At its meeting on [31 May 2016](#) Committee noted the progress made on the Hunter's Hall project, and that efforts were continuing to address the funding gap of £1.7m.
- 2.2 Since then other funding options, including 61 potential external funders, have been considered. The project met the criteria for only two of these: the Scottish Government Regeneration Capital Grant Fund; and the **sportscotland** Sports Facilities Fund (to which an application had already been made).

- 2.3 Consequently an application was made to the Scottish Government Regeneration Capital Grant Fund for financial support for this project.
- 2.4 The fund employs a two-stage application process. The deadline for Stage One applications was 20 June 2016, and an application was submitted timeously. Council officials were informed on 29 September 2016 that the application had been unsuccessful and would not be taken forward to the second stage of the process. This meant that other measures to address the funding gap would have to be considered.

3. Main report

- 3.1 The project consists of three separate principal elements: the cycling facilities; the synthetic pitches; and the works to the Jack Kane Centre. There are also associated external works which include new paths, parking, landscaping and improved road access at the building entrance.
- 3.2 Each of these elements effectively has its own dedicated funding: cycling facilities - £1.215m capital allocation plus **sportscotland** award (tbc); synthetic pitches - £0.8m Section 75 funding; Jack Kane Centre - £0.2m capital allocation plus **sportscotland** award (tbc).
- 3.3 The bulk of the funding gap, based on current cost estimates, lies with the Jack Kane Centre improvements. This element has the least allocation and is also the most costly. Prudential borrowing could potentially meet some but not all of this gap.
- 3.4 In acknowledgement of this and considering the importance of the potential improvements to the viability of the Jack Kane Sports Centre, Edinburgh Leisure have offered to help fund this element of the project, through the postponement of planned lifecycle investments elsewhere in their estate, and potentially through prudential borrowing. In light of this, they have also offered to lead on the other elements of the project delivery, subject to appropriate governance arrangements being put in place to the satisfaction of both parties. This would mean that the overall responsibility for the project would lie with Edinburgh Leisure. Corporate Property officials are comfortable with this arrangement, as it has worked successfully in the past, e.g. on the project to replace the roof at EICA, Ratho.
- 3.5 A robust governance structure will be devised to ensure proper oversight of the project by the relevant Council officials. This will include Council representation on the Project Board and the Project Steering Group. A decision on whether Edinburgh Leisure would be responsible for the procurement will be made following an appraisal of the various procurement options, and considering the alternative routes to market that are now available, including framework agreements. Further details of the project governance structure and the procurement proposals will be brought back to this Committee, and to the Edinburgh Leisure Board.

- 3.6 Based on current cost estimates, even with Edinburgh Leisure’s proposed contribution to the project, there are still insufficient resources to deliver all the previously-considered elements of the cycling hub. Therefore, a two-phase approach is suggested: this would see the velodrome and cycle speedway track completed in phase one, with the BMX facility to be added as and when additional resources become available, e.g. from a future Council capital allocation. This proposal has been agreed by the key project partners, including Scottish Cycling, and **sportscotland**, who have indicated that they would consider a future grant application for the BMX track.
- 3.7 **sportscotland** have intimated that, due to their anticipated budget pressures in 2017/18, and taking into account the exclusion of the BMX track from this first phase of the project, it is unlikely that the maximum funding of £500k would be available at this stage. Consequently, a lower figure of £400k has been used for the revised funding package figures below. The exact amount of any award from **sportscotland** will only be known following the submission of the revised Stage 2 funding application, which will now be submitted by Edinburgh Leisure, with support from Council officials.
- 3.8 A revised scope of works to the Jack Kane Centre would be assembled by Edinburgh Leisure in collaboration with Council officials and the new Project Consultants, taking into account the funding available. The funding requirement would require to be recalculated on a revised business case, commensurate with the reduced scope of works. The funding breakdown, based on current estimates, is shown below. Further work will be required by cost consultants to arrive at more precise figures, due to the complex interdependence between the scope of works and any projected increase in revenue, which will inform the funding solution for the project.

ELEMENT	COST	FUNDING
Synthetic 3G Pitches	£ 799,757	Section 75 £ 800,000
Velodrome	£1,203,268	Capital balance £1,053,365
Cycle Speedway Track	£ 50,000	sportscotland £ 400,000 tbc
Jack Kane Sports Centre and Community Centre	£1,900,000	Asset management £ 200,000
External Works (parking, landscaping, etc.)	£ 628,736	Funding requirement (based on current estimates) £2,128,396
TOTAL	£4,581,761	£4,581,761

- 3.9 The construction period for the project is estimated to run from October 2017 to May 2018. It is hoped that both the Sports Centre and Community Education Centre would be able to restrict any required closures to a minimum and every effort will be made to minimise any period of overlap with the potential closure of Meadowbank Sports Centre. This will be confirmed following the appointment of the lead Contractor.
- 3.10 A Planning Application was submitted by the Project Architect on 22 June 2016. The decision has been delayed pending the results of further surveys which have been requested by Planning, and which will be commissioned at the start of the next phase of the project, following approval by this Committee.
- 3.11 A new Stage 2 funding application will require to be submitted to **sportscotland** by Edinburgh Leisure, in recognition of their taking the lead role in the project. This has already been discussed with **sportscotland**, and is perceived as unproblematic, as Edinburgh Leisure fulfil all the required criteria for applicants, and an application would be treated in exactly the same way as one from the Council.

4. Measures of success

- 4.1 Development of new cycling facilities in Hunter's Hall Park, together with new synthetic 3G pitches and an improved Jack Kane Sports Centre, including upgrading of the mechanical and electrical systems in the Community Education Centre.

5. Financial impact

- 5.1 The funding breakdown for the project is given below, based on current estimates. This is predicated on two assumptions: firstly, that **sportscotland** awards £400k to the project; and secondly, that Edinburgh Leisure can develop a funding solution for the improvement works to the Jack Kane Centre.

Capital balance for cycling hub	£1,053,365
Section 75 funding for 3G pitches	£ 800,000
EL contribution	£2,128,396 (tbc)
sportscotland grant for phase one	£ 400,000
Asset Management Works Capital	£ 200,000
Total funding available	£4,581,761
Estimated project costs	£4,581,761

- 5.2 The financial years in which spend is anticipated are 2017/18 and 2018/19.
- 5.3 The report outlines proposed net capital expenditure plans of a maximum of £0.268m in financial year 2017/18 to progress the project to RIBA Stage 4. If

this expenditure 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 £0.268m and interest of £0.172m, resulting in a total cost of £0.440m based on a loans fund interest rate of 5.1%. The annual loan charges would be £0.022m.

- 5.4 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. Following instruction from Members, notional loan charge estimates have been provided above, which it should be noted are based on the assumption of borrowing in full for this capital project.
- 5.5 As the net capital expenditure outlined in this report forms part of the approved capital investment programme, provision for funding it will be met from the revenue loan charges budget earmarked to meet overall capital investment programme borrowing costs.
- 5.6 The risk exists that should full funding not be achieved, or if costs are greater than expected, further elements of the project will have to be scaled back. Following the Code of Practice on Local Authority Accounting, all the consultants' costs incurred in developing these elements to the feasibility stage funded from capital, would subsequently have to be transferred to the Communities and Families revenue account as abortive costs. The maximum cost at risk of transfer is £0.430m, but it should be noted that, should the project require to be scaled back then only the corresponding proportion of this expenditure would require to be funded from revenue.

6. Risk, policy, compliance and governance impact

- 6.1 The development of a cycling hub is a priority action within the key element of the Physical Activity and Sport Strategy. This Strategy notes that: "With cycling being relatively inexpensive and walking being free, development work in both cycling and walking are cost effective and will make a significant contribution to the outcomes of this Strategy." (From the Active Living section of the Strategy.)
- 6.2 The important regional role that would be played by a cycling hub in Hunter's Hall Park is also recognised in Scottish Cycling's Facilities Strategy.
- 6.3 Risk during the capital works will be managed using best practice advice from the Corporate Programmes Office. The Cycling team in the Transport Service is considering how to improve cycling routes to and from Hunter's Hall Park.
- 6.4 As outlined above, the risk exists that should full funding not be achieved, and/or costs come back greater than current estimates, further elements of the project

would have to be scaled back, with any abortive costs previously funded from capital being transferred to the Communities and Families revenue account.

- 6.5 There are no compliance or governance impacts arising from this report.

7. Equalities impact

- 7.1 The cycling facilities proposed for Hunter's Hall Park would be accessible to local children and young people at low cost, and complemented by coaching and targeted activity programmes, promoting equal opportunities and good community relations. These benefits are in line with the public sector duties of the Equality Act 2010. In addition, the proposed cycling hub would make a positive contribution to two human rights: the rights to education and learning; and productive and valued activities.

8. Sustainability impact

- 8.1 The impacts of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. The cycling hub would encourage more residents to cycle more frequently, improving their health and contributing to good environmental outcomes for the city. Other benefits include better leisure and sport facilities for local and city residents; and community capacity building.

9. Consultation and engagement

- 9.1 An initial period of stakeholder and community engagement contributed to the final mix and layout of the new facilities. The views expressed by local residents and people across the city during the more recent consultation have been analysed and fully taken into account in the recommendations made above.

10. Background reading / external references

- 10.1 Minute of Council meeting of [7 February 2013](#).
- 10.2 Report to Culture and Sport Committee on [28 May 2013](#).
- 10.3 Report to Culture and Sport Committee on [11 March 2014](#).
- 10.4 Report to Culture and Sport Committee on [27 May 2014](#) and article in Business Bulletin of Culture and Sport Committee of [21 October 2014](#).
- 10.5 Report to Culture and Sport Committee on [16 December 2014](#).
- 10.6 Report to Culture and Sport Committee on [31 May 2016](#).

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11. Links

Coalition pledges	P42 - Continue to support and invest in our sporting infrastructure. P45 - Spend 10% of the transport budget on provision for cyclists.
Council priorities	CP2 – Improved health and wellbeing: reduced inequalities. CP6 – A creative, cultural capital. CP12 – A built environment to match our ambition.
Single Outcome Agreement	SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health. SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential. SO4 - Edinburgh's communities are safer and have improved physical and social fabric.
Appendices	None