

Finance and Resources Committee

10am, Tuesday, 23 January 2018

New Meadowbank Update

Item number

Report number

Executive/routine

Wards All, but specifically Craigentinny/Duddingston

Council Commitments [42](#)

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 other development.

The funding package for the project includes an established capital budget of £7.9m, capital receipts from the Housing Revenue Account for the transfer of land to allow house building, disposal of a site to market for commercial development, department supported prudential borrowing and a Sportscotland grant.

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

This update report will also be submitted to the Culture and Communities Committee on 30 January 2018.

New Meadowbank Update

1. Recommendations

- 1.1 Note the update on progress with the project to deliver a new Meadowbank sports centre and the wider regeneration of the area.
- 1.2 Note the update on current estimated costs for the sports centre.
- 1.3 Agree that the main construction contract for the sports centre should also include delivery of key infrastructure for the wider regeneration site.
- 1.4 Note the update on the proposed funding package and that a further update to Committee will be provided before the main construction contract is awarded.

2. Background

- 2.1 An update [report](#) on Meadowbank was submitted to Council on 9 February 2017 as background information for the budget setting process and a capital budget of £7.9m was established.
- 2.2 The additional elements of the funding packing for the new sports centre are capital receipts from the sale of Council owned sites, a contribution from the Housing Revenue Account (HRA) related to the transfer of surplus land at Meadowbank for new housing, Sportscotland funding and department supported prudential borrowing.
- 2.3 Since the approval of the £7.9m budget last February, the detailed design for the sports centre has been finalised, the expected costs for the new sports centre have been reviewed and an estimated delivery timescale has been developed. A master plan planning application for the wider regeneration site as well as a detailed planning application for the sports centre have recently been submitted.
- 2.4 The existing sports centre's last day of operation was 3 December 2017. Alternative arrangements have been put in place for user groups and the building has been handed back to the Council by Edinburgh Leisure.
- 2.1 The approach to future governance and delivery of the new sports centre and the wider regeneration of the Meadowbank site has been reviewed by the project's Investment Steering Group (ISG) so that all aspects of the project are integrated to ensure best value for the Council. An overview on the current financial situation of the project is provided in the remainder of this report.

3. Main report

- 3.1 Since the last report to Council on 9 February 2017 the estimated cost of providing the sports centre, the expected level of capital receipts and the expected funding from Sportscotland have been revised. The table below provides the latest cost and income estimates for each element of the funding package and a comparison to the situation as it was in February 2017.

Estimated cost and financial package for a new Meadowbank Sports Centre	Last update in February 2017	Latest estimates
Total project cost estimate	£43.5m	£46.9m (see update on costs in paragraph 3.2 below)
Funding Sources		
Council Capital Investment Programme	Nothing approved at time of report being submitted to Council.	£7.9m
Capital Receipts from HRA transfer and commercial site	£21.8m	£27.7m (see update in paragraph 3.3 - 3.5 below)
Prudential Borrowing	£6.8m	£6.8m (see update in paragraph 3.6 below)
sportscotland	£7m	£5m (still to be confirmed)
<i>Total funding</i>	£35.6m	£47.4m
Current Estimated Funding Gap	£7.9m	£0m

- 3.2 The update costs in the table above are only for delivery of the sports centre. The costs have increased as the design for sports centre has become more detailed, the exact mix of facilities required has been finalised and the cost of dealing with site specific issues has been determined. A stage 1 application was submitted to Sportscotland for £7m and the response to this application was that a stage 2 application could be submitted but only for a maximum value of £5m. Following

review of project delivery by the ISG, it is recommended that the demolition and enabling works contract for the sports centre should also include some key elements of infrastructure (e.g. demolition, utilities, roads, earthworks and landscaping) across the wider regeneration site. The costs associated with infrastructure delivery on the wider regeneration site will be met by an equivalent increase in capital receipts from disposal of site C and the transfer of sites A and B to the HRA.

- 3.3 A key risk in the funding package for delivery of the new sports centre has always been the timing of securing receipts from the sale of Council sites which have been ring fenced through previous approvals to contribute to the project. In order to reduce this risk the ISG have considered all approaches to achieving maximum value for the Council through the sites available and this explains the overall increase in expected receipts. The estimated increase in overall receipts is included in the table above and an update on each of the sites expected to contribute is provided below.
- 3.4 **Portobello – Westbank Street.** It has previously been approved by Council that the receipt from the sale of this site can be ring fenced as a contribution towards the cost of delivering the new Meadowbank Sports Centre. A report will be taken to the Finance and Recourses Committee on 27 March 2018 seeking approval for appointment of a preferred bidder following a two stage closing date process. Thereafter a place making study will be undertaken with the Community and will be facilitated by Planning. At the same time, Scottish Government has awarded a grant to Action Party from the Making Places initiative to undertake a community led design strategy. Consequently it will be a number of months before there is certainty over the level of receipt to be achieved from the disposal of the site and until that point there remains an element of risk about the receipt from this site being available as part of the funding package.
- 3.5 **Meadowbank Site C** – The existing approvals are that this site would be marketed for sale for future commercial development. However, recent discussions have taken place in relation to a specific investment opportunity which has the potential to maximise the receipt for part of the site. Should this be considered to generate the best return to the Council, approval would be sought for an off market disposal leaving a small area of land which could be transferred to the HRA for development by the Council's housing service. The level of funding to be transferred from the HRA would be increased proportionately based on the overall value of the increased site.
- 3.6 The prudential borrowing element of the funding requires the new Sports Centre to operate without a service payment from the Council. The Edinburgh Leisure business case demonstrates that further savings and revenue income streams will be generated from the new facility. The annual service payment to Edinburgh Leisure will be reduced by the amount of the service payment for the existing facility and the additional net income generated. The saving to the Council resulting from

this reduction in the service payment will be made available to fund the assumed prudential borrowing element of the project.

- 3.7 The timing for the main construction contract to be awarded is the beginning of August 2018. In advance of this all the necessary asbestos surveys and an enabling works contract would be complete. While it is the intention that the expected receipts, level of Sportscotland and prudential borrowing funding will be as indicated above there remains an element of risk in relation to the overall funding package until all of the receipts and funding negotiations have been concluded.
- 3.8 There is expected to be a final decision from Sportscotland before the end of February and negotiations with Edinburgh Leisure will be finalised before the end of March 2018. Further details on the level of receipts available should also be available within a similar timeframe. It has always been the intention that the main contract would not be let until the final funding package is approved by the Finance and Resources Committee and an update on the funding package will therefore be submitted to the Finance and Resources Committee in June 2018 by which point all the different elements of the proposed funding package should be confirmed.

4. Measures of success

- 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

5. Financial impact

- 5.1 As stated in paragraph 3.1, the estimated cost of the project is £46.9m. This is anticipated to be funded from the Council's approved capital budget, ring-fenced capital receipts, prudential borrowing funded from funding efficiencies and Sportscotland grant. However, the majority of this funding is yet to be confirmed and it is considered that £5m could be at risk, should receipts be lower than anticipated.
- 5.2 The overall loans charges associated with the prudential borrowing requirement, over a 20 year period based on a loans fund interest rate of 5.1%, would be a principal repayment of £6.8m and interest of £4.420m, resulting in a total cost of £11.220m. Annual loans charges would be £0.561m per annum.
- 5.3 Should the Council need to invest an additional £5m from its capital budget, the overall loans charges associated with this, over a 20 year period based on a loans fund rate of 5.1%, would be a principal repayment of £5m and interest of £3.26m, resulting in a total cost of £8.26m. Annual loans charges would be £0.413m per annum.

- 5.4 It should be noted that Council borrowing is carried out in line with the Council's approved Treasury Management Strategy, provided for on an overall programme basis rather than for individual capital projects. Notional loan charge estimates have therefore been provided.

6. Risk, policy, compliance and governance impact

- 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.
- 6.2 The prudential funding element of the funding package requires a reduction in the service payment to Edinburgh Leisure. This reduction is based on the new Sports Centre operating without service payment and for Edinburgh Leisure to generate additional annual efficiencies and income. 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 service payment level.
- 6.4 The sale of Westbank Street is dependent upon a third party, who has a long leasehold interest over the site. Any protracted delay in the sale and/or significant reduction in price could result in a risk that the sale would not proceed, which would be outwith the Council's control.

7. Equalities impact

- 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.

8. Sustainability impact

- 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.

9. Consultation and engagement

- 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.

10. Background reading/external references

- 10.1 Report to Council on [9 February 2017](#)

11. Appendices

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