

Agenda Item	10.
Report No	CLH 41/18

HIGHLAND COUNCIL

Committee: Care, Learning and Housing Committee

Date: 18 October 2018

Report Title: **Community and Leisure Capital Budget 2018/19 to 2022/23**

Report By: Head of Resources

1. Purpose/Executive Summary

1.1 This report seeks Member agreement to prioritisation of the generic Community and Leisure capital budget. The report also provides information as requested at the May Committee, on an appraisal of lease versus purchase options for mobile library vehicles.

2. Recommendations

2.1 Members are asked to:

- i. Agree that with regard to mobile library vehicles, a strategy of one replacement vehicle per annum should be progressed, funded from the capital budget.
- ii. Agree the prioritisation as set out in the report and annex 2, to allow officers to further develop options and proposals for these locations.
- iii. Agree that further project development work and funding applications are progressed in relation to the Indoor Tennis Facility and Outdoor Centre, with these being key priorities for funding from within this budget, subject to business cases to be reported back to this Committee.
- iv. Note that the prioritisation proposed will be kept under regular review, should a need for revision arise due to a change in need or funding available.

3. Background

- 3.1 The capital programme agreed in March of this year included a generic budget line for 'community and leisure', as set out below. The purpose of this budget is to provide capital funding for community and leisure assets, being those properties and plant/vehicles operated by High Life Highland (HLH), as well as residual assets still held on the Care and Learning account.

£000

18/19	19/20	20/21	21/22	22/23
361	371	382	394	406
Total				1,914

- 3.2 In relation to HLH, the approach traditionally taken to this budget line has been for HLH to set out its proposed priorities, which are then discussed with Council Officers, before making a recommendation to Committee. That has been the case with regard to this report, with the HLH priorities focusing on vehicle replacement and investment opportunities which are invest to save and support income generation and/or operating cost improvement. There remain legacy community and leisure assets on the Care and Learning Account, which are not part of HLH operations, and as a result this budget must also address any investment requirements arising. Typically these assets are parks, open spaces, footbridges, and other community assets.
- 3.3 In relation to 2018/19, this Committee has already taken decisions which largely commit that year's budget allocation. The May 2018 Committee agreed to £140,000 being utilised for mobile library replacement, and a further £200,000 towards the replacement synthetic pitch at Charleston Academy. At this time it is likely that the majority of this approved spend will slip into 2019/20. This report therefore focuses on the balance of funding available from this budget, and a multi-year approach to prioritisation to allow work to progress on developing project proposals.

4. Mobile Library Vehicles

- 4.1 As previously reported to Committee in May, HLH operate 8 mobile library vehicles plus one relief vehicle. Due to the age of the fleet, rising repair costs and breakdowns and vehicles being unavailable for use, Members agreed to allocate funding in the current year for a new vehicle acquisition.
- 4.2 Members had requested an assessment of lease versus purchase options, to consider whether there were other ways to support a replacement strategy for these vehicles. **Annex 1** sets out the appraisal, as a result of which it is recommended capital purchase is the appropriate financing route. In discussion with HLH, and the Council's Fleet Manager, it is recommended that the strategy is 1 vehicle per annum, over the life of the capital programme. At an estimated cost of £130,000 per vehicle, that would result in the following funding for other priorities from this budget line. Council officers will be working with HLH to further review vehicle specification and consider ways to reduce expected cost.

	£000
Total Budget per above	1,914
Previously agreed May 2018	
- Library vehicles	-140
- Charleston pitch	-200
Balance remaining	1,574
Recommended to this Committee	
- 4 further library vehicles (1 p.a.)	-520
Remaining for prioritisation	1,054

5. Proposed Prioritisation

5.1 **Annex 2** sets out the proposed prioritisation based on discussions with HLH. The funding available will not be sufficient to address all these proposals. However, agreement of priorities will allow HLH and the Council to progress development of these proposals and work up costed options, including the two significant external funding opportunities described below. There will be further reports back to Committee to agree specific budget allocations as proposals and external funding are clarified.

5.2 There are two projects shown on the annex which merit specific highlighting within this report. At this stage the agreement sought from the Council is to allow further work on options, and submission of outline funding applications, to see whether an affordable proposal can be developed for later consideration by the Council.

5.3 Indoor Tennis Facility

Tennis Scotland, SportScotland and the Lawn Tennis Association have announced an exciting new partnership between the organisations with the launch of the new Transforming Scottish Indoor Tennis Fund (TSITF). The TSITF, which is a key part of the Transforming British Tennis together initiative, will see significant investment into Scottish tennis facilities over the course of the next ten years, with £15m committed by this partnership for the development of regionally based indoor tennis centres in Scotland. Highland has been identified by Tennis Scotland as a priority location for indoor tennis court development. The proposal is to create a new tennis centre situated in Inverness. The Highland Tennis Centre would be positioned next to Inverness Leisure Centre, taking advantage of the staffing complement and infrastructure at Inverness Leisure, keeping revenue costs to a minimum and maximising on 'cross selling' tennis to existing customers.

5.4 TSITF will invest up to two thirds of the eligible capital costs for the indoor courts and any ancillary core facilities required.

Example Project - 4 court framed fabric tennis hall
Project cost - £1,500,000
Maximum award - £1,000,000

Award profile – Sport Scotland grant £500,000
Lawn Tennis Association grant - £375,000
Lawn Tennis loan - £125,000
Residual Funding to be identified (incl any Council contribution) - **£500,000**

5.5 The next funding round is 1st November 2018 and, if agreed, an outline funding application would be submitted by the Council.

5.6 Outdoor Centre

This proposal is for the development of an outdoor centre to replace the outdoor centre previously operated by the Council at Badaguish, near Aviemore. The proposed new accommodation would be at the Highland Folk Museum, Newtonmore and would provide a similar service for schools, youth and community groups to the one formerly operated by the Council. There remains funding of £0.5m set aside in reserves, associated with Lottery funding previously allocated to the Council for this purpose. This funding could only be used to meet the objectives for which it was awarded. In addition, there is an opportunity for an application to be submitted to the (one-off) Natural and Cultural Heritage Fund which will become available in January 2019 along with other funding opportunities which are being explored.

5.7 Agreement from this Committee would allow the Council and HLH to develop a proposal and explore the availability of external funding.

5.8 Should any new needs emerge not reflected within this report, or any change in funding circumstances, further reports would come back to Committee and the approach being taken gives scope for priorities to be reviewed as and when required.

6. Implications

6.1 Resource – the financial implications are as set out within the report and accompanying appendices.

6.2 Legal – nothing to highlight regarding this report.

6.3 Community (Equality, Poverty and Rural) – the proposals set out within this report, particularly in relation to mobile library vehicles, will assist in sustaining and improving service delivery to rural locations.

6.4 Climate Change / Carbon Clever – nothing to highlight in this report.

6.5 Risk – as highlighted above, not all priorities identified could be met from the funding available. However, the approach being taken supports a planned approach to project development, and gives scope to reviewing priorities should that be required.

6.6 Gaelic - nothing to highlight in this report.

Designation: Director of Care and Learning

Date: 28 September 2018

Author: Brian Porter, Head of Resources

Background Papers:

Annex 1 – Mobile Library Vehicle Financing Option Appraisal

Background

CLH Committee in May requested a report on the feasibility of either wholly leasing or a combination of lease and purchase in order to immediately replace the three oldest mobile library vehicles.

Context

The revenue budget, held by Care and Learning, for all HLH related vehicle related costs is £131k. This budget covers running costs, fleet charges and lease costs (a range of smaller vehicles used by HLH are leased rather than purchased).

The out-turn for 2017/18 was an overspend of £15k against this budget.

In the current year a break-even position against budget is forecast. There is no spare revenue budget capacity to support additional leased vehicles.

There is no specific capital budget for vehicles, with any requests to be considered against the generic capital budget covered by this report.

Option Appraisal

Using an assumed outright purchase cost of £119,300 for a single mobile library vehicle. And a vehicle life of 7 years.

	Leased Option	Purchase Option
Leased cost over 7 years	£125,585	
Maintenance over 7 years	£17,107	
End of lease condition charges	Not known, but potential additional costs	
Purchase financing costs over 7 years (capital plus interest)		£144,407
Maintenance over 7 years		£17,500
Residual value after 7 years		-£23,860
Total over 7 years	£142,692	£138,047
Saving of purchase VS Lease		£4,645

Conclusion

Outright purchase is financially the preferred option for this type of vehicle. This option also provides more flexibility should the Council/HLH choose to alter the assumed useful life of the vehicle i.e. to replace earlier or later.

As noted above, capital funding also represents the only current budget source available, given commitments against the revenue budget.

Annex 2 - Community and Leisure Facilities – HLH/HC Prioritisation

1. Income Retention and Business Development Projects

Title	Notes
Highland Folk Museum Developments - new entrance and shop/café and gallery	Long term plan developed. Estimated cost approx. £3.6M External Funding applications to be developed.
Ben Nevis Visitor centre – provision of catering facility/café and enhanced community facilities	Previous work to upgrade visitor displays has been completed. This project is to develop catering facilities to enhance the visitor and community facilities on site.
Dingwall Leisure Centre – changing room refurbishment	The swimming pool changing area is in need of refurbishment and would be jointly funded by the Community and Leisure Facilities and Development and Infrastructure budgets.
Nairn Leisure Centre – provision of exercise studio & cafe	This project would improve income generation at the site along with the long term retention of current members.
Badenoch Centre – relocate gym and library	This project would relocate the library within the building to provide a combined reception and library on the ground floor, thereby increasing the opening hours of the library at no additional revenue cost, and allow the gym to be enlarged, thus increasing income generation by relocating it to the upstairs of the facility.
Fingal Centre – provision of gym	The fitness provision is limiting income generation due to the small size of the current gym.
Black Isle Leisure Centre – provision of dance studio	The provision of a dedicated exercise studio would improve the income generating potential of the site.
Craig MacLean Leisure Centre, Grantown – provision of dance studio	The provision of a dedicated exercise studio would improve the income generating potential of the site.
Lochbroom Leisure Centre – provision of dance studio	The provision of a dedicated exercise studio would improve the income generating potential of the site.
Culloden Academy Community Complex – provision of fitness suite	The fitness provision within the school is limiting site’s ability to attract and retain members and therefore generate income due to the small fitness suite.

2. Developmental Projects - Full Funding Source(s) to be Confirmed

Title	Notes
Provision of new outdoor activities centre.	£0.5 M retained from Big Lottery Fund. Feasibility study underway. Work required on: <ul style="list-style-type: none">• Options for cost reduction;• Capital funding applications;• Revenue budget (assumed zero revenue budget required)

3. Strategic Projects Being Developed Through a Partnership Between THC and HLH

Title	Notes
Inverness Cultural Centre	Project underway. Funded through City/Region deal.
Inverness Sports Hub	New Tennis Centre project under development.