



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Leisure Transformation – Finance Report
Date:	21 June 2013
Reporting Officer:	Ronan Cregan, Director of Finance and Resources
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1.0	Relevant Background Information
1.1	At its meeting on 1 March 2013 the Strategic Policy and Resources Committee agreed to consider a report on the affordability of the leisure transformation programme. This report provides Members with an overview of the estimated capital expenditure and potential financing options required to deliver leisure transformation.

2.0	Key Issues
2.1	<p>Assumptions</p> <p>The emerging leisure financing strategy has been developed in the context of the guiding principles which Members agreed (SP&R 25 January 2013) to use to inform decisions regarding leisure provision. These are:</p> <ul style="list-style-type: none"> • Quality • Focus on health and well-being outcomes • Value for Money • Balanced investment and accessibility • Partnership • Affordability <p>It has therefore been assumed that:</p> <ul style="list-style-type: none"> • The programme will provide balanced investment across the city and that each city quarter will have wet, dry, health and fitness facilities that cater for a diversity of activity. • There will be no rates increase to support the financing of the programme. • Revenue savings generated from within the leisure budget will form a key element of the financing strategy. • The leisure programme will be phased over at least a ten year period.

2.2	<p>Estimated Cost of Leisure Transformation Programme</p> <p>Council officers have worked with a leading QS firm, Turner and Townsend to estimate the overall capital cost of transforming the leisure estate. The costs are based on industry baselines and have been benchmarked against recent leisure developments across the UK. The total estimated cost of the leisure transformation programme is £105m. The challenge for the Council will be to secure the financing of the £105m in the context of the assumptions outlined in paragraph 2.1 and our current and future capital commitments and ambitions.</p>																																																	
2.3	<p>Current Capital Programme</p> <p>At present, the Council allocates £10.1m per year from the district rate to finance capital expenditure. The table below summarises the use of the capital financing budget.</p> <table border="1" data-bbox="327 667 1268 913"> <thead> <tr> <th></th> <th>Capital Expenditure</th> <th>Capital Finance</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Existing Loans</td> <td>21.20</td> <td>2.004</td> </tr> <tr> <td>Committed Schemes</td> <td>31.40</td> <td>2.386</td> </tr> <tr> <td>Uncommitted Schemes</td> <td>17.50</td> <td>1.400</td> </tr> <tr> <td>Emerging Schemes</td> <td>60.40</td> <td>4.90</td> </tr> <tr> <td>Total</td> <td>130.50</td> <td>10.69</td> </tr> </tbody> </table> <p>The table shows that the entire capital finance budget is required to support the current capital programme. The implication for the leisure programme is that there is no capacity within the capital finance budget to support the financing of expenditure on the leisure estate. Members therefore need to consider alternative funding options.</p> <p>Required Financing for the Leisure Programme</p> <p>If it is assumed that the required £105m will be financed through 25 year loans the total annual financing cost to the Council will be £8.93m. The options for how this money can be raised are outlined below.</p> <table border="1" data-bbox="327 1350 1380 1597"> <thead> <tr> <th>Options</th> <th>Year</th> <th>Finance</th> <th>Expenditure</th> </tr> <tr> <th></th> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Belfast Investment Fund</td> <td>2014</td> <td>3.23</td> <td>38.00</td> </tr> <tr> <td>Efficiency Savings</td> <td>2016</td> <td>2.00</td> <td>23.50</td> </tr> <tr> <td>Local Government Reform</td> <td>2015</td> <td>2.00</td> <td>23.50</td> </tr> <tr> <td>Balance</td> <td>2018</td> <td>1.70</td> <td>20.00</td> </tr> <tr> <td>Total</td> <td></td> <td>8.93</td> <td>105.00</td> </tr> </tbody> </table> <p>The Belfast Investment Fund is a capital fund set up to support the delivery of partnership projects across the city. Members agreed, as part of the rate setting for 2012/13 an annual allocation of £6m from the district rate to the fund with the purpose of providing £20m by the end of 2014/15. By the end of 2013/14 the fund will total £19,388,786. The target has almost been met a year early because originally the Connswater Greenway project was to be financed from this fund but it is now being financed through the capital programme. This means that Members could consider re-allocating a proportion of the annual rates contribution to the leisure programme without impacting on the achievement of the £20m target. The Director of Property and Projects, at the Committee meeting, will report that up to £38m will be required to deliver the Olympia and Andersonstown schemes. This expenditure will need to be financed from</p>		Capital Expenditure	Capital Finance		£m	£m	Existing Loans	21.20	2.004	Committed Schemes	31.40	2.386	Uncommitted Schemes	17.50	1.400	Emerging Schemes	60.40	4.90	Total	130.50	10.69	Options	Year	Finance	Expenditure			£m	£m	Belfast Investment Fund	2014	3.23	38.00	Efficiency Savings	2016	2.00	23.50	Local Government Reform	2015	2.00	23.50	Balance	2018	1.70	20.00	Total		8.93	105.00
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	<p>2014/15. It is recommended that £3.23m of the £6m Belfast Investment Fund annual rates contribution is reallocated to finance the £38m Olympia / Andersonstown schemes. If this is agreed the Belfast Investment Fund would have a balance of £22,158,786 by the end of 2014/15 and £2.77m would continue to be allocated to the fund on an annual basis.</p> <p>Efficiency Savings</p> <p>To date efficiency savings delivered by the Council have been used to support the district rate. However, as Members expand their capital ambitions and the growing need to demonstrate savings to secure external funding, for example, for the Waterfront extension; efficiency savings delivered as part of capital projects will become a key strand of capital financing. Members have already agreed that a key element of the leisure financing strategy should be the delivery of efficiency savings from the leisure budget. Currently the rates subsidy to the leisure service is over £8m per year. The cost recovery rate averages around 35% compared to a sector average of 65%. It is recommended that a target of £2m should be set and that these savings are allocated to the capital financing of the leisure programme. The savings would release approximately £23.50m of capital expenditure. As this money will be required to fund the second phase of the programme, the savings will need to be delivered by 2016. The delivery of these savings would form an important workstream within the overall leisure transformation programme.</p> <p>Local Government Reform</p> <p>In 2015 the Council's finances will be based on a new rate base. The boundary changes will bring in additional rates income from over 22,000 households and businesses. This additional income is not a windfall as it will be required to fund the delivery of services to the transferring residents and businesses. The estimated cost of the leisure programme includes provision for new leisure facilities in the transferring areas. It is recommended that Members set a target of £2m of the additional rates income being available to support the capital financing of the leisure programme. This would generate £23.5m of capital expenditure. The work to deliver this finance would be incorporated into the service and rates convergence workstreams of the local government reform programme.</p> <p>Balance</p> <p>The above three options deliver £85m of the required £105m, leaving a balance of £20m and an annual financing requirement of £1.7m. Based on the phasing of the programme this finance will not be required until 2018. It is recommended that Members agree to include the £1.7m financing requirement in the Council's Medium Term Financial Plan. Officers will then explore potential funding options including partnership arrangements, external funding sources and capital receipts.</p> <p>Next Steps</p> <p>The Director of Parks and Leisure is in the process of developing a detailed action plan for the development and implementation of the leisure transformation programme. A report will be brought to the Strategic Policy and Resources Committee in August which will detail the key elements of the plan and the resources required to deliver it.</p>

5.0	Recommendations
5.1	<p>Members are asked to agree to the following:</p> <ol style="list-style-type: none"> 1. To set an overall capital expenditure affordability limit of £105m for the leisure transformation programme. 2. To allocate, from 1 April 2014, £3.23m of the £6m Belfast Investment Fund annual rates contribution to finance the £38m Olympia / Andersonstown schemes. 3. To set a £2m efficiency savings target for the leisure service as part of the leisure transformation programme deliverable by 1 April 2016 and that these savings are used for the purpose of leisure capital financing. 4. To set a target of £2m of additional rates income emanating from local government reform boundary changes being available to support the capital financing of the leisure programme. 5. To incorporate this target into the service and rates convergence workstreams of the local government reform programme. 6. To include the £1.7m outstanding financing requirement in the Council's Medium Term Financial Plan. 7. To consider a report in August on the leisure transformation action and resourcing plans.

6.0	Decision Tracking
<p>Ronan Cregan, Director of Finance and Resources Andrew Hassard, Director of Parks and Leisure Gerry Millar, Director of Property and Projects</p>	