East
Northamptonshire
Council

Council - 19 July 2010

Manor Park Project

Summary

This report follows on from the review of the Medium Term Financial Strategy (MTFS) considered earlier on this agenda and asks Members to review the affordability of the new leisure facilities at Manor Park

Attachment(s)

Appendix A - Revised MTFS deficits without Manor Park

1 Introduction and Background

1.1 At its meeting on 2 November 2009 the Council agreed to proceed to competitive dialogue with the shortlisted contractors and authorised the submission of a planning application for the Manor Park project (minute 218(b) refers).

1.2 The planning application was duly submitted and approved. GOEM has advised the Council that it does not propose to call in the decision and therefore planning approval, subject to finalising the s106 Agreement, is now in place and the project is able to progress through the competitive dialogue process to a tender submission.

1.3 This is, however, subject to confirmation that the legal agreement between RTC and ENC for the transfer of the land at Manor Park required for the leisure centre complies with EU procurement law. This was challenged by Mr Jeff Yeates, Chairman of Rushden & Higham Rugby Club, on behalf of the Club, last October, by way of an enquiry to the local MEPs. We replied to a letter from one of those MEPs, Emma McClarkin, quoting the relevant paragraph from EU procurement law, and heard nothing until this May, when the Office for Government Commerce (OGC) advised RTC that they had been contacted by the EU on this issue and were required to respond on behalf of the UK as the Member State.

1.4 We have employed specialist legal advisers to respond to the list of questions posed by the OGC, and those advisors are of the opinion that we have indeed complied with EU law. However, we have received no written confirmation from either the EU or the OGC that this is the case, so there remains a risk that the contract will be found to be unlawful. The EU's process for making this decision is extremely long and, even if the contract were eventually found to be illegal, the liability would be on central government as ENC is deemed to be 'an arm of the state'. Overall, then, the risk is considered to be low and the consequences also low.

1.5 Members are reminded that the project cost is estimated at £14m, which includes a suitable contingency, and will be funded with £11.1m from the Council and £2.9m from external funding. The Council's contribution is made up of £6.7m to be raised by borrowing over a 40 year period and £4.4m from the Council's own capital reserves.

1.6 The earlier paper on the agenda (item 11(a)) set out the changes to the MTFS following the formation of the Coalition Government and the announcements made in the Emergency Budget. These changes have significantly increased the revenue budget deficit in 2010/11 and future years and emphasises once again the need to bring forward proposals to balance the budget and to ensure adequate reserves are maintained.

2 Impact on funding for capital expenditure

2.1 Uncertainty remains around the external funding being used to support our capital programme and specifically Manor Park. As Members will recall, we propose to use £1.6m Growth Area Funding (GAF) and £800k from NEL (emda) towards the cost of Manor Park. A further £500k from GAF was available to the County Council for highways works. At this stage we are unable to confirm that the money is still available towards the project. The County Council, as the accountable body for GAF, has advised us that the funding is still in place, but has also advised us that we continue to commit expenditure at our own risk.

2.2 On 2 July the Minister for Housing and Local Government wrote to the Council to outline his thinking and approach to revenue spending commitments in growth areas. He states "I believe there is a good rationale for [the] growth funding programme, and I am pleased that we have been able to safeguard the growth funding for 2010/11 at the levels set out in December last year. However before releasing any further growth funding I want to be sure that the way we approach this challenge is changing. I would therefore welcome a statement of your authority or partnership's approach to securing real local and community engagement, and the progress you are [making] in achieving that, also setting out how you are able to show that the existing residents will gain from this funding". NNDC is co-ordinating a response on behalf of all partner authorities in North Northamptonshire but the wording of the Minister's letter leaves room for doubt as to whether the funding will eventually be forthcoming.

2.3 Emda has confirmed funding cuts of about 20% in its spending plans in 2010/11 and has indicated that all non-contracted schemes will need to be cut. In addition, it has indicated that some contracted schemes may not receive full funding. Locally NEL are of the view that the Manor Park project is contracted, as a contract exists between NEL and ENC, and therefore that the funding is safe. However, we have not yet signed any contract for the construction works and therefore the scheme remains uncommitted and in our opinion the risk still exists that this funding may be withdrawn.

2.4 Discussions have been held with the Chief Executive and Assistant Chief Executive/CFO at the County Council to see if there is any possibility of the County Council making a financial contribution to enable the project to proceed and in turn ensure the land becomes available on the Pemberton Centre site to allow the schools merger. County Council officers have advised us that in the current financial climate there is no scope for the County to provide us with any capital funding towards the Manor Park project.

2.5 Should the funding from GAF and NEL not be forthcoming it would not be prudent for the Council to look to increase its borrowing to fund any substantial funding shortfall. The increased borrowing would add further to our revenue burden and the budget deficit reported earlier. The cost of borrowing a further £2.9m would be about £135k per annum for the next 40 years.

3 Proceeding with Manor Park

3.1 As indicated above, there remains uncertainty about the capital funding for Manor Park. There are also concerns, in view of the budget cuts we now face, about whether the revenue budget can accommodate the revenue burden of the Manor Park project.

3.2 The ongoing net revenue savings that can be made by not going ahead with Manor Park are fairly small compared to the overall deficit. Appendix A sets out the savings in revenue costs and the reduction in the budget deficits if a decision is taken to shelve the project. A summary of the savings is set out below:-

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	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s
Annual Revenue Savings	**119**	**372**	**164**	**129**

3.3 As indicated in earlier reports, culture and leisure services are discretionary. In view of the likely level of budget cut, all discretionary services will be under threat and will need close scrutiny. At present the Council provides a management fee of £615k to CCP for running our three leisure centres and providing other leisure, cultural and heritage activities within East Northamptonshire. In reviewing the budget for potential savings the Council has the opportunity to review the existing leisure and culture services and make reductions to the management fee if it wishes to withdraw from some or all of its leisure provision. Investment in a new facility at Manor Park would effectively fix a significant element of the monies currently allocated for leisure, i.e. the borrowing costs of £461k, for the next 40 years. These fixed costs would remain even if the Council sought to reduce its financial commitment to culture and leisure services.

3.4 Should the Council not proceed with Manor Park, an opportunity exists to reallocate the capital reserves we hold to other projects, such as the town centre and district regeneration programmes.

4 Implications of not going ahead

4.1 Should the project not go ahead then the Council will need to review what it does with the existing facilities. As indicated in the report to Council in November, a decision not to proceed with Manor Park would effectively be a decision to close the Splash pool at some stage in the next few years when the repair and maintenance liability becomes unacceptable. But in view of the size of the budget cuts needed over the next few years the Council will need to consider the level of spending that it wants to maintain on leisure and culture anyway.

4.2 The Manor Park project is a key enabler to Rushden's regeneration and the County's education strategy for the town. Some regeneration work would be possible in the town centre if Manor Park does not proceed and resources will be freed up, but other elements of the proposals in the Enquiry by Design report would not be able to proceed and the County Council would not be able to merge the Alfred Street and Tennyson Road schools on the Pemberton Centre site.

4.3 Clearly, expectations have been raised in the town and the south of the district that Manor Park will go ahead. However, the national economic picture has changed since the formation of the new Government. The coalition's spending cuts and constraints are greater than we anticipated, so it is only right and proper to reconsider the situation in view of the Council's significantly increased estimated budget deficit.

4.4 It should be noted that the timetable for the project precludes deferring a decision on whether to go ahead. It would not be practical to call a halt to the design and procurement process temporarily (until at least September) and the grant funding (should it still be available) needs to be spent by 31 March 2011 or it will be lost. Construction would not have started by that date should the process be delayed further.

5 Conclusion

5.1 There remains uncertainty over grant funding for the project, there is a small but potentially significant risk in relation to the legality of the contract between RTC and ENC, and the pressures on the Council's revenue budget have increased significantly. There are therefore a number of risks to proceeding with the project. On the other hand, not proceeding would make Rushden's regeneration more difficult to achieve, it would jeopardise NCC's plans to merge two schools in the town and it would almost certainly mean the closure of the Splash pool at some point in the next few years with little or no prospect of it being replaced.

6 Recommendation

6.1 That Members note the risks set out in the report and the likely consequences of the options available, and consider whether or not to proceed with the Manor Park project in the current financial and economic climate.

Implications:

Corporate Outcomes or Other Policy/Priority/Strategy

Good Quality of Life	☒	Good Reputation	☒
Good Value for Money	☒	High Quality Service Delivery	☒
Effective Partnership Working	☐	Strong Community Leadership	☐
Effective Management	☒	Knowledge of our Customers and Communities	☐
Employees and Members with the Right Knowledge, Skills and Behaviours			☐
Other:			☐
Decision(s) would be outside the budget or policy framework and require full Council approval			☐

Financial	There are no financial implications at this stage	☐
	There will be financial implications – see paragraph 3.2	☒
	There is provision within existing budget	☐
	Decisions may give rise to additional expenditure at a later date	☐
	Decisions may have potential for income generation	☐
Risk Management	An assessment has been carried out and there are no material risks	☐
	Material risks exist and these are recorded at Risk Register Reference – 535,541 inherent risk score - high residual risk score - medium	☒
Staff	There are no additional staffing implications	☒
	Additional staff will be required – see paragraph	☐
Equalities and Human Rights	There will be no impact on equality (race, age, gender, disability, religion/belief, sexual orientation) or human rights implications	☒
	There will be an impact on equality (see categories above) or human rights implications – see paragraph	☐
Legal	Power: Local Government Act 1972 and Misc. Provisions Act 1976	
	Other considerations: Need for adequate reserves and robust budget	

Background Papers: .

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Breakdown of MTFS Changes Appendix A

	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s
Revised MTFS deficit with Manor Park	**1,553**	**2,516**	**2,486**	**2,651**

MTFS without Manor Park	**2010/11 £000s**	**2011/12 £000s**	**2012/13 £000s**	**2013/14 £000s**
Estimated Deficit	**1,553**	**2,516**	**2,486**	**2,651**
Saving in Financing Charges and MRP	(100)	(293)	(461)	(461)
Loss of saving in Management Fee			376	376
Saving in Bus Subsidy to Manor Park		(35)	(35)	
Increase in interest receipts from abandoning Manor Park	(19)	(44)	(44)	(44)
Revised MTFS deficit without Manor Park	**1,434**	**2,144**	**2,322**	**2,522**

	2010/11 £000s	**2011/12 £000s**	**2012/13 £000s**	**2013/14 £000s**
Annual Revenue Savings	**119**	**372**	**164**	**129**