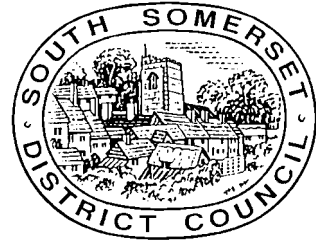


South Somerset District Council

Notice of Meeting



**South Somerset
District Council**

Making a difference where it counts

Tuesday 13th October 2015

6.30 pm

**The Gateway Community Centre
Addlewell Lane
Yeovil
BA20 1QN**

Disabled access is available at this meeting venue however there is no public car parking. Councillors and members of the public are requested to use the nearby public car parks.

All members of Council are requested to attend the meeting:

The public and press are welcome to attend.

If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Angela Cox, Democratic Services Manager**, website: www.southsomerset.gov.uk

This Agenda was issued on Monday 5 October 2015.

Ian Clarke, Assistant Director (Legal & Corporate Services)

This information is also available on our website
www.southsomerset.gov.uk



INVESTORS IN PEOPLE

South Somerset District Council Membership

Chairman: Mike Best
Vice-chairman: Tony Capozzoli

Clare Aparicio Paul
Jason Baker
Cathy Bakewell
Marcus Barrett
Mike Beech
Neil Bloomfield
Amanda Broom
Dave Bulmer
John Clark
Nick Colbert
Adam Dance
Gye Dibben
Sarah Dyke-Bracher
John Field
Nigel Gage
Carol Goodall
Anna Groskop
Peter Gubbins
Henry Hobhouse
Kaysar Hussain

Tim Inglefield
Val Keitch
Andy Kendall
Jenny Kenton
Mike Lewis
Sarah Lindsay
Mike Lock
Tony Lock
Paul Maxwell
Sam McAllister
Graham Middleton
David Norris
Graham Oakes
Sue Osborne
Tiffany Osborne
Stephen Page
Ric Pallister
Shane Pledger
Crispin Raikes
Wes Read

David Recardo
Jo Roundell Greene
Dean Ruddle
Sylvia Seal
Gina Seaton
Peter Seib
Garry Shortland
Angie Singleton
Alan Smith
Sue Steele
Rob Stickland
Andrew Turpin
Linda Vjeh
Martin Wale
William Wallace
Nick Weeks
Colin Winder
Derek Yeomans

Information for the Public

The meetings of the full Council, comprising all 60 members of South Somerset District Council, are held at least 6 times a year. The full Council approves the Council's budget and the major policies which comprise the Council's policy framework. Other decisions which the full Council has to take include appointing the Leader of the Council, members of the District Executive, other Council Committees and approving the Council's Consultation (which details how the Council works including the scheme allocating decisions and Council functions to committees and officers).

Members of the Public are able to:-

- attend meetings of the Council and its committees such as Area Committees, District Executive, except where, for example, personal or confidential matters are being discussed;
- speak at Area Committees, District Executive and Council meetings;
- see reports and background papers, and any record of decisions made by the Council and Executive;
- find out, from the Executive Forward Plan, what major decisions are to be decided by the District Executive.

Meetings of the Council are scheduled to be held monthly at 7.30 p.m. on the third Thursday of the month in the Council Offices, Brympton Way although some dates are only reserve dates and may not be needed.

The agenda, minutes and the timetable for council meetings are published on the Council's website – www.southsomerset.gov.uk/councillors-and-democracy/meetings-and-decisions

The Council's Constitution is also on the web site and available for inspection in Council offices.

The Council's corporate aims which guide the work of the Council are set out below.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

South Somerset District Council – Council Aims

Our key areas of focus are: (all equal)

- Jobs – a strong economy which has low unemployment and thriving businesses
- Environment – an attractive environment to live in with increased recycling and lower energy use
- Homes – decent housing for our residents that matches their income
- Health & Communities – communities that are healthy, self-reliant and have individuals who are willing to help each other

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South Somerset District Council

Tuesday 13 October 2015

Agenda

1. Apologies for Absence

2. Minutes

To approve and sign the minutes of the previous meeting held on Thursday, 17th September 2015.

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (adopted July 2012), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the Agenda for this meeting. A DPI is defined in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (SI 2012 No. 1464) and Appendix 3 of the Council's Code of Conduct. A personal interest is defined in paragraph 2.8 of the Code and a prejudicial interest is defined in paragraph 2.9.

Members are reminded that they need to declare the fact that they are also a member of a County, Town or Parish Council as a Personal Interest. As a result of the change made to the Code of Conduct by this Council at its meeting on 15th May 2014, where you are also a member of Somerset County Council and/or a Town or Parish Council within South Somerset you must declare a prejudicial interest in any business on the agenda where there is a financial benefit or gain or advantage to Somerset County Council and/or a Town or Parish Council which would be at the cost or to the financial disadvantage of South Somerset District Council. If you have a prejudicial interest you must comply with paragraphs 2.9(b) and 2.9(c) of the Code.

4. Public Question Time

5. Chairman's Announcements

Items for Discussion

6. Chairman's Engagements (Page 5)

7. Westland Leisure Complex (Pages 6 - 39)

8. Motions (Page 40)

9. Questions Under Procedure Rule 10

There were no questions submitted under Procedure Rule 10.

10. Date of Next Meeting (Page 41)

Agenda Item 6

Chairman's Engagements

18th September

Mike attended the opening of Huish Episcopi Academy Artificial Grass Pitch.

20th September

At the invitation of the Somerset County Scout Group Mike attended the AGM held in Ansford. Castle Cary.

4th October

At the invitation of Burnham-on-Sea and Highbridge Town Council, Mike and Liz attended the Annual Civic Service which was held at St. Andrew's Church, Burnham-on-Sea.

At the invitation of the Chapter of Wells Cathedral, Tony and Vivienne attended the Service of Thanksgiving and Reflection at Harvest Time which was held in Wells Cathedral.

7th October

Mike is due to attend the AGM of the Marine Society and Sea Cadets which is being held at the Swordfish Restaurant at RNAS Yeovilton.

9th October

Mike and Liz are due to attend the Yeovil Amateur Operatic Society's performance of Iolanthe at the Octagon Theatre.

10th October

At the invitation of Chard Town Council, Tony and Vivienne are due to attend the Chard Carnival.

11th October

At the invitation of North Petherton Town Council Tony and Vivienne are due to attend the civic service to be held at St. Peter's Church, North Newton.

Agenda Item 7

Westland Leisure Complex

Lead Officer: Steve Joel, Assistant Director – Health and Well-Being
Contact Details: Steve.joel@southsomerset.gov.uk or (01935) 462278

Purpose of the Report

1. This report seeks approval for a 30 year £1,865,046 internal loan towards the costs of refurbishing the Westlands Sports and Leisure Complex in the event SSDC is able to negotiate and secure satisfactory terms with Finmeccanica – AgustaWestland (“AW”) and other funding partners to take over the management and future operation of the Complex.

Public Interest

2. The Complex has been a locally important and long standing venue regularly hosting a vast array of sporting activities and different events ranging from functions, conferences, meetings, training events, to weddings, ballroom dances, award ceremonies, festivals and live music events.
3. The Complex is wholly owned by AW, and has been traditionally operated as a proprietors club for the benefit of AW employees, their families and associate community members under a formal constitution. The Complex is situated centrally in Yeovil within a site of just over 12 acres in size, accessed off Westbourne Close. In recent years use by employees and their families has steadily reduced as the AW workforce has contracted, such that today the majority of use stems from community users.
4. On the 12th May AW announced their decision to close the Complex at the end of September 2015. The decision was taken due to increasing costs and the growing subsidy AW has had to make to keep the complex open. Other factors taken into consideration were the impending major investments that would be required to modernise the facilities and declining membership.
5. Recognising the value and importance of the Complex, SSDC and Yeovil Town Council (YTC) met with AW at the beginning of June to discuss its future. At the meeting all parties agreed to carry out a feasibility appraisal to assess the viability of SSDC or another organisation operating the site and continuing to provide a range of sport and leisure facilities for the overall benefit of the community.
6. The District Executive Committee considered the key findings emerging from this and further risk appraisal work at its September and October meetings, and in doing so has agreed subject to financial approval by Full Council to seek to negotiate and secure satisfactory terms with AW and other funding partners.
7. As the District Executive only has the delegated authority to approve capital spend of up to 5% of capital receipts the decision to approve the internal loan of £1,865,046 rests with full Council.
8. This report has been prepared to seek approval from full Council for this 30 year £1,865,046 internal loan towards the costs of refurbishing the Complex. Without approval from full Council, the Council will not be able to deliver the recommendations approved by the Executive.

9. **A number of Appendices for this report are exempt from disclosure or publication under category 3 of part 1 of Schedule 12(A) to the Local Government Act 1972 as amended by Section 1 of the Local Authorities (Access to Information) (Variation) Order 2006 as it may comprise the Council's ability to secure best value through the subsequent commercial negotiations, and some of the information is subject to a Non-Disclosure Agreement with AW.**

Recommendations

10. It is recommended that Full Council:

- 10.1. Note the report and supporting confidential appendices underpinning the considerations and decisions taken by the District Executive on 1st October 2015.
- 10.2. Approve a 30 year £1,865,046 Internal Loan at 2.96% interest for use towards refurbishment.

Background

11. At the District Executive meeting held on the 1st October 2015, Councillors considered the report summarising the key feasibility findings, further risk appraisal work and agreed:

- 11.1. To recommend that full Council approve a 30 year £1,865,046 Internal Loan at 2.96% interest for use towards refurbishment.
- 11.2. Subject to approval by Council of recommendation 11.1, authorise the Assistant Director (Health and Well-Being) in conjunction with Portfolio Holder (Leisure, Culture and Well-Being) to:
 - 11.2.1. Submit and negotiate the Statement of Principles set out in Appendix 1.6 with AW.
 - 11.2.2. Seek an annual financial contribution from YTC towards the revenue costs and seek additional financial support from the other adjacent Parish Councils.
- 11.3. Subject to approval by AW of the Statement of Principles authorise the Assistant Director (Health and Well-Being) in conjunction with the Assistant Director (Legal and Corporate Services), Assistant Director (Finance and Corporate Services) and Portfolio Holder (Leisure, Culture and Well-Being) and the Leader of Council to negotiate and finalise the Lease, Funding Agreement and Business Transfer Agreement.
- 11.4. Subject to agreeing terms of the Lease, Funding Agreement and Business Transfer Agreement with AW, and a Funding Agreement with YTC and other funding partners, pursuant to recommendations 11.2 and 11.3:
 - 11.4.1. Enter into an agreement with AW to take over the management and operation of the Complex for a 30 year term.
 - 11.4.2. Approve the use of up to £62,495 of general revenue balances to fund the revenue required to finance the operation of the facility, adding the requirement to the MTFP.

- 11.4.3. Approve the once-off use of up to £89,850 of general revenue balances that may be required to fund the Loan Repayments whilst the Facility Levy scheme is implemented during year 1.
- 11.4.4. Approve the once-off use of up to £60,000 of general revenue balances during the first year from handover to cover the net loss of revenue associated with the planned refurbishment works.
- 11.5. Subject to achievement of recommendation 11.1, authorise the Assistant Director (Health and Well-Being) in conjunction with Portfolio Holder (Leisure, Culture and Well-Being) to work with the clubs and individuals supporting the venue and petition to raise further funds towards the overall refurbishment and operating costs.
12. Details of the report and supporting confidential appendices presented to the Executive are set out in Appendix 1 as background to this report. A copy of the Financial Forecast for the sole operation of the Sports Facilities is set out in Confidential Appendix 2. A copy of the supporting slide presentation is attached in Appendix 3.
13. This report seeks approval from Full Council for a 30 year £1,865,046 Internal Loan at 2.96% interest for use towards refurbishment. It sets out the estimated capital spend, income, net cost to finance, finance options, internal loan repayment and risks of doing so.

Capital Spend

14. The estimated capital expenditure for the project amounts to £2,703,893.

Table 1: Refurbishment Cost Summary

Cost Summary	£
Sports Facilities, including new Pavilion.	931,912
Conference and Entertainment Complex	1,696,981
Project Management Fees	75,000
Total Estimated Refurbishment Cost	£2,703,893

15. The estimated capital finance available towards the costs of the refurbishment is expected that in the order of £838,847. These are outlined in Table 2 below.

Table 2: Income

Income	£
Banked Strategic Sports Hall Contributions	105,629
Unbanked Strategic Sports Hall Contributions	52,788
Banked Changing Room Contributions	180,695
Unbanked Changing Room Contributions	46,735
Sport England Improvement Fund Grant	400,000
Somerset Cricket Board Grant	35,000
Other Sport and Club Grants	18,000
Total Estimated Refurbishment Finance	£838,847

16. The net cost to finance amounts to £1,865,046.

17. It is recommended that SSDC use its own capital receipts to finance the loan repayable over 30 years in line with Public Works Loan Board (PWLB) rates. This ensures that the capital is returned over the period to finance other projects.

18. Table 3 below shows the annual repayment:-

Table 3: Capital Financing

Internal Loan for 30 years @2.96%	Revenue Cost of Capital (£)
Amount of Loan	£1,865,046
Interest Repayable @ 2.96%	£830,450
Total Amount To Pay Back	£2,695,496
Annual Revenue Repayment	£89,850

19. Table 4 shows what the impact on SSDC capital receipts would be:

Table 4: Impact on Capital Receipts

Impact	
Current Uncommitted Capital Receipts	£25,074,000
Allocation to WLC Project as a Loan	£1,865,046
Remaining Capital	£23,208,954
Annual Repayment to Capital	£62,168

20. The loan makes certain that interest of £27,682 and the capital repayment of £62,168 is repaid ensuring that there is no impact on other SSDC services. The interest payable is currently higher than we are receiving because of the loan's length.

21. The allocation of SSDC's capital resources to the project is very unlikely to have an adverse impact on the Council's ability to fund other schemes over the medium term.

22. Given that the cost of the annual £89,850 loan repayment can be financed through the introduction of a new £1 ticket levy scheme to all ticket sales at both the Octagon Theatre and the Westlands Leisure Complex, it is recommended that Full Council approve a 30 year £1,865,046 Internal Loan at 2.96% interest. This has the following benefits:

- 22.1. Interest is greater than short-term market rates.
- 22.2. Capital is repaid over time to fund other projects.
- 22.3. Capital is only drawn down when needed.
- 22.4. Makes SSDC's capital work for the community.
- 22.5. Provides repayment certainty for WLC management.

- 22.6. Reduces SSDC's exposure to current Treasury Market Risks.
- 22.7. The loan is unlikely to affect future capital spend as receipts are currently sufficient to fund the estimated future demand for the next 10 years.
- 22.8. Still provides the option to refinance at a future date.
23. On the downside the approach may restrict for future capital spend over the longer 30 year term, and future increases in interest rates may enable SSDC to secure a higher rate of return. Borrowing would hedge against increases in interest rates.

Internal Loan Repayment

24. The cost of the annual £89,850 loan repayment will be financed through the introduction of a new £1 Facility Levy Scheme to all ticket sales at both the Octagon Theatre and the Westlands Leisure Complex, such that those that use our entertainment facilities make a higher contribution towards the cost of their provision than the general council tax payer.

25. Table 5: Facility Levy Projections

Facility Levy Projections	Levy Charge Per Ticket Gross	Income Gross (£)	Income Net (£)
Based on Actual Octagon and Projected WLC Sales			
Octagon Ticket Sales – 121,000	£1.00	121,000	96,800
WLC Ticket Sales – 38,250	£1.00	38,250	30,600
Total:		159,250	127,400
Annual Repayment			89,850
Surplus			37,550

26. The surplus generated can be utilised to finance further capital requirements during the 30 year lease period.

Financial Implications

27. Currently £25,074,000 of capital remains uncommitted and based on the internal borrowing approach being used, this will reduce to £23,208,954. The capital will be replaced over 30 years and interest will be covered by the annual repayment of £89,850.
28. The users of the facility through the setting of a £1 levy on ticket sales would finance the annual loan repayment, so that it is those that use the entertainment facilities who make a higher contribution towards the cost of their provision rather than the general council tax payer.

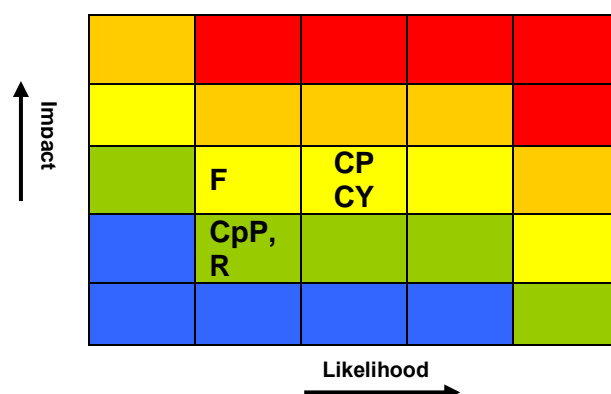
Risks

29. The key risks associated with the recommendation includes:
- The Landlord break clause provisions may enable the lease to be terminated at specific break points. This is subject to compensation clauses in order to protect SSDC's capital investment and SSDC would have the first option to acquire the site

in the event the Landlord seeks to dispose of the asset at a break point or at the end of the term. Further details are set out in Confidential Appendix 1.6.

- The capital spend estimate is indicative. The scheme is subject to further detailed design and tender processes.
- It is not guaranteed that unbanked S106 contributions capital income will be received.
- Facility Levy sums raised on ticket sales are estimated.

30. A risk log has been created for the potential project. The level of risk associated with implementing this next stage is summarised below in the Council's Risk Matrix.



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Corporate Priority Implications

31. The recommendation set out in this report is in accordance with Corporate Plan Focus Four - Health and Communities, setting out the Council's priority to maintain and enhance the South Somerset network of leisure and cultural facilities.

Carbon Emissions and Climate Change Implications

32. There are no additional carbon and climate change implications emerging from this report.

Equality and Diversity Implications

33. There are no additional equality and diversity implications merging from this report.

Background Papers

- Appendix 1 – District Executive Westland Leisure Complex Report (October 2015)

District Executive Westland Leisure Complex Report (October 2015) Confidential Appendices:

1.1 – M & E Report

1.2 – Refurbishment Cost Commentary

1.3 – Refurbishment Cost Summary and Breakdown Reports

1.4 – Facility Levy Scheme Projections

1.5 - Financial Forecast and Assumptions

1.6 – Statement of Principles – Proposed Operation of WLC

- Confidential Appendix 2 - Sports Facility – Financial Forecast
- Appendix 3 – District Executive Slide Presentation (October 2015)

Appendix 1

District Executive – 1st October 2015

Westland Leisure Complex (Executive Decision)

<i>Executive Portfolio Holder:</i>	<i>Cllr Sylvia Seal, Leisure and Culture)</i>
<i>Strategic Director:</i>	<i>Vega Sturgess, Operations and Customer Focus</i>
<i>Assistant Director:</i>	<i>Steve Joel, Assistant Director – Health and Well-Being</i>
<i>Lead Officer:</i>	<i>Steve Joel, Assistant Director – Health and Well-Being</i>
<i>Contact Details:</i>	<i>Steve.joel@southsomerset.gov.uk or (01935) 462278</i>

Purpose of the Report

1. This report has been prepared as part of the Council's work to give serious consideration to the refurbishment and operation of facilities at the Westlands Sports and Leisure Complex on a broadly similar basis to their current use. Its purpose is threefold:
 - 1.1. To present the key findings emerging from the completion of the surveys of the roof structure, the condition and remaining life of the electrical services installation and mains equipment, the condition and remaining life of the mechanical services installation that were sought by the District Executive at the meeting held on 3rd September 2015.
 - 1.2. To assess the financial implications of South Somerset District Council (SSDC) potentially entering into an agreement with Finmeccanica – AgustaWestland ("AW") to take over the management and operation of the Complex.
 - 1.3. To supply Councilors with sufficient information so that a decision can be taken.

Public Interest

2. The Complex has been a locally important and long standing venue regularly hosting a vast array of sporting activities and different events ranging from functions, meetings, training events, to weddings, ballroom dances, award ceremonies, festivals and live music events.
3. The Complex is wholly owned by AW, and has been traditionally operated as a proprietors club for the benefit of AW employees, their families and associate community members under a formal constitution. In recent years use by employees and their families has steadily reduced as the AW workforce has contracted, such that today the majority of use stems from community users.
4. On the 12th May AW announced their decision to close the Complex at the end of September 2015. The decision was taken due to increasing costs and the growing subsidy AW has had to make to keep the complex open. Other factors taken into consideration were the impending major investments that would be required to modernise the facilities and declining membership.
5. Recognising the value and importance of the Complex, SSDC and Yeovil Town Council (YTC) met with AW at the beginning of June to discuss the future of the Complex. At the meeting all parties agreed to carry out a feasibility appraisal to assess the viability of SSDC or another organisation operating the site and continuing to provide a range of sports and leisure facilities for the overall benefit of the community.

6. At the District Executive meeting held on the 3rd September 2015, Councillors considered the report summarising the key findings and agreed:
 - 6.1. To give serious consideration to the refurbishment and operation of facilities at the Westland Sports and Leisure Complex on a broadly similar basis to their current use.
 - 6.2. That prior to considering the published recommendations 8.1 to 8.6, the Executive requires regular monitoring of the risk log by the project board, and in particular the following items:
 - 6.2.1. Roof structures.
 - 6.2.2. The condition and remaining life of the electrical services installation and mains equipment.
 - 6.2.3. The condition and remaining life of the mechanical services installation.
 - 6.2.4. A structural assessment of retaining walls around the site.
 - 6.2.5. Previous hire and bookings.
7. This report presents the key findings emerging from this survey work and provides updated financial implication information to provide Councillors with sufficient information to take the decisions regarding the potential refurbishment and operation of the complex.

The Appendices for this report are exempt from disclosure or publication under category 3 of part 1 of Schedule 12(A) to the Local Government Act 1972 as amended by Section 1 of the Local Authorities (Access to Information) (Variation) Order 2006 as it may comprise the Council's ability to secure best value through the subsequent commercial negotiations, and some of the information is subject to a Non-Disclosure Agreement with AW.

Recommendations

8. It is recommended that the District Executive:
 - 8.1. Recommend to Council they approve a 30 year £1,865,046 Public Works Loans Board (PWLB) Equal Instalment Loan currently at 2.96% interest for use towards refurbishment, to be repaid through the introduction of a Facility Levy.
 - 8.2. Subject to approval by Council of recommendation 8.1, authorise the Assistant Director (Health and Well-Being) in conjunction with Portfolio Holder (Leisure and Culture) to:
 - 8.2.1. Submit and negotiate the Statement of Principles set out in Appendix 6 with AugustaWestland (AW).
 - 8.2.2. Seek an annual financial contribution from Yeovil Town Council (YTC) towards the revenue costs and seek additional financial support from the other adjacent Parish Councils.
 - 8.3. Subject to approval by AW of the Statement of Principles authorise the Assistant Director (Health and Well-Being) in conjunction with the Assistant Director (Legal and Corporate Services), Assistant Director (Finance and Corporate Services) and Portfolio Holder (Leisure and Culture) and the Leader of Council to negotiate and

finalise the Lease, Funding Agreement and Business Transfer Agreement.

8.4. Subject to agreeing terms of the Lease, Funding Agreement and Business Transfer Agreement with AW, and a Funding Agreement with YTC and other funding partners, pursuant to recommendations 8.2 and 8.3:

8.4.1. Enter into an agreement with AW to take over the management and operation of the Complex for a 30 year term.

8.4.2. Approve the use of up to £62,495 of general revenue balances to fund the revenue required to finance the operation of the facility, adding the requirement to the Medium Term Financial Plan.

8.4.3. Approve the once-off use of £89,850 of general revenue balances that may be required to fund the PWLB Equal Instalment Loan repayments whilst the Facility Levy scheme is implemented during year 1.

8.4.4. Approve the once-off use of £60,000 of general revenue balances during the first year from handover to cover the net loss of revenue associated with the planned refurbishment works.

Subject to achievement of recommendation 8.1, authorise the Assistant Director (Health and Well-Being) in conjunction with Portfolio Holder (Leisure, Culture and Well-Being) to work with the clubs and individuals supporting the venue and petition to raise further funds towards the overall £2.628m estimated refurbishment effort.

Background

9. The Complex is wholly owned by AW, and has been traditionally operated as a proprietors club for the benefit of AW employees, their families and associate community members under a formal constitution. The Complex is situated in centrally in Yeovil within a site of just over 12 acres in size, accessed off Westbourne Close.



10. The range of current leisure, entertainment, sport and recreation facilities available at the Complex is listed in **Table 1** below.

Table 1: Current Complex Facilities

Conference and Entertainment Complex	<p>Ballroom - standing capacity 1,800, theatre style (Flat floor) 900, cabaret style 330 – 500</p> <p>Costa Café Lounge / Bar - standing capacity 140, theatre style 40, cabaret style 70</p> <p>Family Lounge (Sportsmans Bar) - standing capacity 300, theatre style 40, cabaret style 50</p> <p>The Carling Lounge (Skittle Alley / Function Room) - standing capacity 300, theatre style 100, cabaret style 80 – 120</p> <p>Wessex Suite Meeting / Small Conference Room - standing capacity 200, theatre style 50, cabaret style 50 – 70</p> <p>Catering Kitchens</p> <p>Reception and Supporting Administration Offices</p>
Sports Facilities and Grounds	<p>Multi-Purpose 4 Court Sports Hall with spectator viewing gallery</p> <p>3 Squash Courts with spectator viewing gallery</p> <p>Cricket Pitch, Practice Nets (3), Pavilion</p> <p>Bowls Green, Pavilion</p> <p>Floodlit Tennis Courts (3), Pavilion</p> <p>Rifle and Pistol Range</p> <p>Table Tennis Room</p> <p>Snooker Room</p>
Recreation Facilities	<p>60 Allotments</p> <p>Model Engineering Track</p> <p>Yeovil Town Band Rehearsal and Storage Room</p>
Ancillary Areas	<p>Car Parking for 200 Vehicles</p> <p>Grounds Maintenance Equipment Store</p> <p>General Storage Compound</p> <p>Service Routes</p> <p>Public Path</p>

11. Up until 1st April 2013, the Complex was operated as a wholly owned subsidiary of AW. After that point the Complex was transferred to and managed by Sodexo, with the operating risks remaining with AW. Sodexo have operated the Complex through a core team of 12.5 permanent full time staff, assisted by a team of 10 FTE zero hours casual catering staff and 10 FTE zero hours casual bar staff.

12. Alongside the many competitive matches and training sessions delivered across the sports facilities by the 8 main sporting organisations based at the venue, in 2013-14 the Conference and Entertainment Complex hosted over 300 different events ranging from functions, meetings, training events, to weddings, ballroom dances, award ceremonies, festivals and live music events.
13. Operational costs including maintenance have been financed and subsidised by AW. Details of the operating costs and subsidy for the last 5 financial years are set out in the **Confidential Appendix 5**. The figures show the increasing costs and the growing subsidy AW has had to make to keep the complex open.

Survey Findings

14. Surveys of the roof structure, the condition and remaining life of the electrical services installation and mains equipment, the condition and remaining life of the mechanical services installation were carried out by KirkhamBoard, the Councils Property Advisers, on 9th September 2015.

15. No 'showstoppers' have emerged through these assessments. The main findings are:

- 15.1. Roofs:

- 15.1.1. Main (pitched) roof over conference and entertainment complex

- 15.1.1.1. The detailed inspection of the main pitched roof using a cherry picker confirms the original asbestos cement sheet roof has been over clad with a new profiled aluminium roof (the original asbestos cement sheeting is in good condition and still in-situ). The new roof appears to be sound, with no major issues noted. The only issues identified are where a number of penetrations have been made through the roof for ventilation ducts and the like. The water tightness of such penetrations will be checked show members wish to proceed, and an allowance has been made to install deck tight flashings around the penetrations to mitigate any potential issues.

- 15.1.1.2. The main downpipes are of asbestos cement. All of the downpipes have damage and holes, and are ineffective. Allowances have been made to replace the downpipes with new uPVC downpipes.

- 15.1.2. Flat roofs over rear areas of social club (Toilets, Furniture Store, Kitchen, Skittle Alley and Wessex suite)

- 15.1.2.1. The single ply membrane covered flat roofs over the areas referred to above have reached the end of their useful life - allowances have been made to replace the roof coverings and some (not all) soft areas of the decking, as well as the perimeter flashings and some of the rain water goods.

- 15.1.3. Sports hall roof

- 15.1.3.1. The detailed inspection of the sports hall and squash centre roof identified sections with end lap corrosion and corroded fixings. An allowance has been made within the costings to treat the end lap

corrosion, replace corroded fixings, treat corroded gutters and re-paint areas of flaking coating.

15.2. Mechanical and electrical systems:

- 15.2.1. The mechanical and electrical services are compliant and working, but are now operating beyond their serviceable life.
- 15.2.2. The survey identifies the major plant items that need to be either repaired or replaced, and identifies the budget costs to be set aside for this work where the work has not featured as part of other previously planned refurbishment work.
- 15.2.3. Items identified have been split into 3 categories.
 - Category A items - Items requiring immediate action (Statutory requirement) such as emergency lighting, disabled alarms, fire alarms, gas safety valves and hot water vents.
 - Category B items - Actions that would be required within the next 12-36 months including main distribution power labelling, boiler expansion valves and cold water pipe replacement.
 - Category C items - Actions within the next 36-60 months which includes some replacement of heating boilers, and main ventilation systems within the ballroom wall and roof.
- 15.2.4. As a general rule it tends to be more cost effective to replace these types of systems as a whole system on a planned basis rather than wait for breakdowns or adopt a piecemeal future maintenance work approach. As such within the cost report, we have included all items in the A, B, and C categories. A copy of the full M & E report is attached in **Confidential Appendix 1**.

15.3. Retaining wall structures:

- 15.3.1. The structural assessment of the various retaining wall structures around the site found that all walls apart from the one previously identified wall to the corner of the Wessex Suite to be sound. A cost provision to demolish this retaining wall, and to supply and lay a replacement retaining wall is included within the costings.

Feasibility Findings

16. The Complex still has the potential to be a vibrant Entertainment, Function and Conferencing Complex and successful Sport Hub, however, the facilities require extensive modernization and refurbishment.

17. The evidence from the petition, submitted with support from over 8,000 residents (making it the largest petition submitted to SSDC) and the local reaction to the closure announcement indicates that residents wish to see the facility being saved and being retained as a versatile facility, highlighting its unique ability to accommodate large live events, functions, conferences, ceremonies and merit as a community, sporting and business facility.

Sports Facilities

18. In sporting terms the Complex:

- 18.1. Is a very important sporting hub for Yeovil and Somerset, hosting eight sport clubs with a collective membership of over 500 people who regularly use the facility week in week out.
- 18.2. Hosts the only sports hall in South Somerset available during the daytime, the only cricket pitch in Yeovil, and the only community rifle range in the district.
- 18.3. Benefits from good peak period and seasonal usage, although it has suffered from low off peak use, offering good scope for better programming and use going forward.
- 18.4. Provides an opportunity to introduce 'added value' membership schemes linked with our other public facilities to provide a much enhanced offer for our residents.

19. Strategically there is a need to protect key strategic community sports facilities given current deficiencies. Before consideration of the potential loss of the facilities, our facility assessments for the catchment served by the Complex show that there are already extensive shortfalls in community hall provision (currently amounting to 490 sqm), indoor sports hall provision (a shortfall of 12 badminton courts in 2026, building from a shortfall of 4 courts in 2012 and 9 courts in 2022), indoor tennis court provision, and in outdoor cricket pitch space.

20. Representations to save the facility have been received from each of the sections using the site, the English Cricket Board and Badminton England, and Sport England.

21. It is important to recognize that the current outdoor tennis court area has scope to accommodate additional new sport and recreation facilities, thereby providing a platform to address strategic sport deficiencies without the need for land acquisition in future. Strategically this would be very valuable given the recreational land constraints in Yeovil.

Conference and Entertainment Complex

22. The Conference and Entertainment Complex hosted over 300 different events in 2014/15 ranging from functions, meetings and training events, to weddings, ballroom dances, award ceremonies, festivals and live music events.

23. It is the largest and most versatile venue across the district, with a capability to host:

- Live Music (up to 1800 standing)
- Live Comedy (up to 1000 seats)
- Live Events (650 – 1000 seats)
- Ballroom Dances
- Conferences, Functions, and Training Events
- Balls, Awards Ceremonies and Charitable Events
- Council Meetings and Election Counts
- Parties
- Exhibitions and Fairs
- Weddings
- Regular Community Activities
- Civil Contingency Provisions

24. The analysis of use indicates:
- 24.1. By sector, the highest level of hires come from the private sector (58%), with 34% coming from community organisations, and 8% from the public sector.
 - 24.2. By space, nearly half of all hires are for the main ballroom (48%), followed by Costa Lounge (27%), Carling Suite (23%), Wessex Suite (4%), and Skittle Alley (4%).
 - 24.3. By booking type, the majority of all bookings are for meetings, training events and conferences (40%), followed by ballroom dance (25%), community activities (17%), music events (8%), live performance (3%), parties (3%), comedy events (2%), exhibitions and fairs (1%), weddings (0.5%), and charitable balls / award ceremonies (0.5%).
25. In reviewing the type and scale of the ballroom bookings, it does indicate that the majority would be unable to be accommodated in the same form within South Somerset should the venue close. As such strategically we are of the view that there is a need and considerable value to retaining a large and versatile conferencing and entertainment complex capability within the district's key economic centre going forward.
26. In terms of live music, comedy and performance bookings, our market analysis for these sectors across a 45 minute drive-time catchment indicates that the annual ticket sale capacity for the area is in the order of 282,863.
27. Taking into account the lack of competition from other venues - (Weymouth - 993 seats, Merlin (Frome - 241 seats), Memorial Theatre (Frome - 536 seats), Salisbury Playhouse (517 seats) and Strode (393 seats) – the Octagon Theatre market share (43% - 121,000 per annum), and the increasing number of performances now selling out, we are of the view that with effective management and modernisation, the facility has the ability to both continue to support the range of bookings whilst also becoming a successful destination venue that contributes to attracting visitors and audiences to Yeovil. Importantly given the nature and strengths of the WLC, the focus would be on the presentation of live music, supported by a range of other comedy and live performance work that the Council is unable to attract to the Octagon due to both its seat numbers and theatre configuration.
28. Strategically we cannot foresee that the market will bring forward a replacement facility with such an extensive capability in South Somerset. As such if we are to retain a large and versatile conferencing and entertainment complex capability within the district's key economic centre going forward, then it will only be realised through the leadership of SSDC alongside financial support from YTC and other adjacent Parish Councils to secure this valuable asset for the benefit of the communities we serve. With the knowledge of the financial implications of refurbishing, and operating the facility set out later on in this report, this is perhaps key the decision for members.
29. Such a step accords well strategically with the Council's Corporate Plan aspiration "To maintain and enhance the South Somerset network of leisure and cultural facilities". In replacement terms, our analysis indicates that the cost of replacing both the sports facilities and the conference and entertainment facilities would be in the order of £11,474,863. This excludes any costs associated with land acquisition, VAT or inflation beyond 2015. The breakdown is:

- Conference and Entertainment Complex - £7,541,370
- Sports Hall - £2,620,000
- Squash Courts - £473,494
- Cricket Pitch / Practice Nets - £275,000
- Rifle Range - £175,000
- Bowls Green - £115,000
- Pavilion - £275,000

30. In comparison, financially the option to take over and refurbish the facilities based on the proposals within this report offer both high public value and good value for money.

Refurbishment

31. A key factor contributing to the AW decision to close the facility was the impending major investments that would be required to modernise the facilities.

32. The various facilities at the site vary in age, with most of the being in the region of 40 years old. Age combined with a historical lack of maintenance and renewal works mean the facilities are extremely tired and require extensive refurbishment.

33. KirkhamBoard have assessed the condition of the facilities, considered the scope of refurbishments required to support the delivery of the proposed business plan and prepared an indicative cost plan for the works.

34. In broad terms the modernisation programme, subject to further detailed design, would comprise a refit of the:

34.1. Main ballroom - to incorporate automated retractable seating to capable of accommodating up to 1000 people with good viewing lines, new stage fit, new sound system, new lighting system, new air handling system, fire alarms, flooring, and redecoration.

34.2. Function and meeting rooms - including flexible room dividers, new ceilings, new flooring, desks, chairs, AV / wifi equipment, lighting, air handling and redecoration.

34.3. Bars – enabling the creation of a more flexible bar space, with room dividers, new ceilings, new flooring, tables, bar fit, chairs, AV / wifi equipment, lighting, air handling and redecoration.

34.4. Reception, toilets, administrative and other ancillary areas, including new access and CCTV control systems.

34.5. Sports hall and squash courts – including new flooring, LED lighting, air handling, storage, sports equipment, lift, redecoration and changing room refit.

34.6. New pavilion - with team changing rooms, official changing room, small kitchenette, bar and club area, adjacent to the cricket pitch and bowls green.

35. No changes are planned to the allotments, model engineering track, outdoor tennis courts, rifle and pistol range or car parking areas at this stage. However, rifle and pistol range provision is expected to feature as part of a planned SE Improvement Fund application once an appropriate scheme is developed.

36. The future of the outdoor tennis court provision would be considered as part of a future exercise in conjunction with the Lawn Tennis Association to assess the feasibility of developing indoor tennis provision, alongside additional fitness provision at the site.
37. Costs of the proposed refurbishments incorporating costs emerging from the additional survey works are estimated to be in the order of **£2,703,893**. A summary is set out in **Table 2** below and a detailed breakdown of the scope of works, all costs and assumptions is available within the Refurbishment Cost Plan Report in **Confidential Appendix 2 and 3**.
38. At this stage it should be noted that costs should be used to provide an indicative budget cost framework within which further design development and project risk analysis can be undertaken, as no detailed design works have been undertaken.
39. The total estimated figures refurbishment costs includes a provision for contingency which amounts to £125,185.

Table 2: Refurbishment Cost Summary

Cost Summary	£
Sports Facilities, including new Pavilion.	931,912
Conference and Entertainment Complex	1,696,981
Project Management	75,000
Total Estimated Refurbishment Cost	£2,703,893

Refurbishment Financing

40. No grants or Section 106 contributions are known to be available towards the costs associated with the refurbishment of the Conference and Entertainment Complex, however, it is expected that in the order of £838,847 would be available to support the refurbishment of the sports facilities. Further offers of financial support have been received in-principle across a number of the sporting organisations since the previous Executive meeting and it is expected that further contributions will be forthcoming should the project proceed. These are outlined in **Table 3** below.

Table 3: Sports Facility Refurbishment Grant and Section 106 Finance Estimate

Income	£
Banked Strategic Sports Hall Contributions	105,629
Unbanked Strategic Sports Hall Contributions	52,788
Banked Changing Room Contributions	180,695
Unbanked Changing Room Contributions	46,735
Sport England Improvement Fund Grant	400,000
Somerset Cricket Board Grant	35,000
Other Sport and Club Grants	18,000
Total Estimated Refurbishment Finance	£838,847

41. As members can see this would leave the Council needing to finance a shortfall of £1,865,046 in order to revitalise the facility and complete the necessary works. This sum has increased by £106,434 as a result of the additional work.

42. There are two options available to the Council to finance this shortfall. The options together with their costs are summarised in **Table 4** below:

43. **Table 4: Capital Finance Options / Revenue Cost of Capital**

Option	Revenue Cost of Capital (£)
1. Use SSDC Capital	£1,865,046
Annual Revenue costs of loss of interest @ 3.02%	£56,324
2. Finance through PWLB Equal Instalment Loan over 30 Year Term @ 2.96%	£1,865,046
Interest Repayable @ 2.96%	£830,450
Total Amount To Pay Back	£2,695,496
Annual Revenue Repayment	£89,849.87

44. In order to finance the annual loss of interest or annual loan repayment costs, it is proposed to introduce a nominal £1 facility levy to all ticket sales at both the Octagon Theatre and the Westlands Leisure Complex, such that those that use our entertainment facilities make a higher contribution towards the cost of their provision than the general council tax payer.

45. Calculations indicate that annual ticket sale projections of 135,000 would generate in the order of £135K gross, £108K net of VAT. The sums generated would cover the annual loss of interest or annual loan repayment, with the remaining monies placed into a reserve to support future venue enhancements and renewals across both venues. Further facility levy projection illustrations are set out in **Confidential Appendix 4**.

46. As the allocation of SSDC's own capital resources to the refurbishment would have an impact on the Council's ability to fund other schemes, and there is an ability through the Facility Levy to meet the cost of annual loan repayments across the term, it is recommended that members finance the refurbishment works through the PWLB Equal Instalment Loan route.

47. This would be the most prudent long-term approach to the SSDC, enabling it to utilise its capital for other schemes going forward. An increasingly important factor for the Council in order to ensure it is well placed in the long-term to assist member's aspirations to support their communities and transform service delivery.

48. In planning to finance the annual loan repayment through the proposed facility levy scheme, members should note that as current performances are generally contracted 9-12 months in advance, there would be an initial timing gap between the start of the loan and receipt of the first facility levy contributions. It is therefore recommended that members approve the once-off use of £86,237 of general revenue balances that may be required to fund the PWLB Equal Instalment Loan repayments whilst the Facility Levy scheme is implemented during year 1.

49. Members should note that there is a risk to the refurbishment financing at present as no application has been submitted to the Sport England Improvement Fund. The next grant submission window for this fund is expected to open at the end of September 2015.

Sport England have expressed their desire to safeguard the facilities at the Complex and have encouraged SSDC to make an application. Subject to DX approval of the proposal, and the prior approval of AW, SSDC will work to submit a Stage 1 Expression of Interest Application to the Sport England Improvement Fund to support the refurbishment of sports facilities at the Complex.

50. Finally given the scale of support for the petition to save the facility, if members are minded to enter into an agreement with AW to take over the management and operation of the Complex, then it is recommended that SSDC seeks to work with the various sections, those leading the petition and the local media as part of the overall effort to raise further funds through encouraging individual donations to save and revitalise this much valued facility.

Operating Costs

51. In order to understand the financial implications associated with operating the Complex, SSDC has prepared an initial business plan setting out the income and expenditure projections associated with the potential programme and activity areas for the first full operating year post refurbishment.

52. In doing so it enables SSDC to determine whether operating the Complex would be affordable to the Council's medium term financial plan. The forecast has been prepared based on the following:

- Examination of the audited accounts for the period when the facility was operated as a subsidiary of AW covering 2010-11, 2011-12 and 2012-13.
- Examination of the annual contracts account figures submitted by Sodexo for 2013-14, and 2014-15.
- Examination of the operating information supplied by AW as part of the feasibility exercise.
- SSDC's experience of operating the Octagon Theatre and developing business plans for other similar sporting facilities.
- The facility being operated as a 'sister venue' to the Octagon Theatre, managed by SSDC. This approach:
 - a. Reduces operating costs through leveraging our existing box office, marketing, bar and refreshment, technical, operation and programming capabilities.
 - b. Ensures programming and marketing of both venues complement, rather compete with each other.
 - c. Delivers greater purchasing power.
 - d. Provides greater operational and venue resilience.
 - e. Reduces the time to build the staffing team central to operating WLC successfully from handover, and enables us to build upon our existing voluntary strengths in this area.

Members should note that there will be a need to appropriately apportion shared operational costs across budgets for the Octagon Theatre and

WLC should a decision to proceed with the refurbishment and operation of WLC be taken.

53. Based on this work, the revenue subsidy before consideration of other financial contributions, in the first full operating year post refurbishment is estimated to be in the order of £132,495.

Table 4: Operating Cost / Revenue Subsidy

Financial Projection	(£)
Income	£1,155,701
Expenditure	£1,288,196
Profit / (Loss) before Subsidy	(£132,495)
Partner Financial Contributions	£70,000
SSDC Subsidy	£62,495

54. Full details of the financial forecast are attached in **Confidential Appendix 3**. Details of the supporting assumptions underpinning the forecast are set out in **Confidential Appendix 4**.
55. In itself the first full operating year post refurbishment cost is significant at a time where SSDC alongside other local authorities need to respond to severe cuts in Government funding.
56. The consequence of this and the underlying expectation that local government finance is unlikely to improve in the medium term, means that it would only be prudent for SSDC to consider taking over the management and operation of the Complex and saving the facility for the overall benefit of the community if AW, YTC and other adjacent Parish Councils are prepared to make a long-term financial contribution to do so.
57. The indications are that, subject to proper consideration through their respective decision making processes and SSDC accepting the operating risks and capital financing responsibilities, that AW, YTC and other adjacent Parish Councils maybe prepared to make a financial contribution to save the facility. It is recommended that members formally seek annual financial support from YTC and the other adjacent Parish Councils.
58. Assuming these financial contributions from partners are met, the level of subsidy required from the Council would be expected to reduce by in the order of £70,000 per annum. This would represent an additional cost of £62,495 per annum for the first full operating year post completion of works. This would add £62,495 to the MTFP for 2016/17 and beyond as a commitment.
59. Similar to other venues that have gone through a period of prolonged closure and refurbishment, the first full operating year post completion of works is normally the most challenging. There are consequential revenue losses stemming from the cancelation of membership subscriptions, customers moving to alternative facilities, and the longer lead in timeframes often associated with bookings which can make it more difficult to secure bookings and attract artists. As such, the financial performance of the operation is expected to improve gradually in future years, as we witnessed at the Octagon in recent years.

60. It should be noted that it is anticipated that there will be a once-off requirement for £60,000 of general revenue balances during the first year from handover to cover the net loss of revenue associated with the planned refurbishment works. This figure assumes the Council undertakes and completes both the detailed design work and prepares the supporting tender packages at risk whilst the proposal is determined by AW.

Proposed Statement of Principles

61. Throughout the discussions with AW during the feasibility exercise, both parties have negotiated and prepared in good faith a 'Statement of Principles' that would form the basis of any future Lease, Funding Agreement and Business Transfer Agreement between the parties in the event that SSDC resolves to take over the responsibility for the complex and its operation on a broadly similar basis to its current use.

62. Details of the proposed Statement of Principles are set out in **Confidential Appendix 6**.

63. Members are asked to consider the terms contained within the document, and highlight any changes they may wish to submit and negotiate with AW should they decide to proceed.

AW Approval

64. Members are asked to note that on receipt of confirmation that SSDC wish to proceed, any proposal will be subject to satisfactory progress through the following 4 stage AW decision/approval process.

- 64.1. AW Project Team / Lead Director review and approval.
- 64.2. AW Board for review and approval.
- 64.3. AW Executive Steering Committee for review and approval.
- 64.4. Finmeccanica CEO for review and final sign off.

65. Only once the proposal is signed off by the Finmeccanica CEO, will AW be able to instruct their solicitors to finalise the Lease, Funding and Business Transfer Agreements with SSDC.

66. Taking account of this and our own respective decision making processes, it is expected after allowing time for the necessary legal work that occupation may commence at the earliest around the beginning of February 2016.

VAT Advice

67. Advice on the VAT implications of the proposal have been sought from LAVAT Consulting Limited to ensure SSDC accounts correctly for the associated VAT implications.

68. The advice has confirmed that the Council must structure the various hire, ticket sale, membership, and pay and play activities so that in VAT terms they are deemed to be standard rated. Consequently the Council will be able to recover all VAT associated with the cost of the refurbishment without putting the Council at risk of breaching its partial exemption threshold.

69. In moving this forward the Council will need to pay particular attention to ensuring that the arrangements associated with the occupation of land by for example the cricket,

bowls and rifle clubs are not treated as an exempt lease or licence to occupy land. The cost to the Council if its exempt input tax were to be within the exemption threshold would be £85K plus per annum. The various hire and use agreement arrangements will be structured to mitigate this risk.

Financial Implications

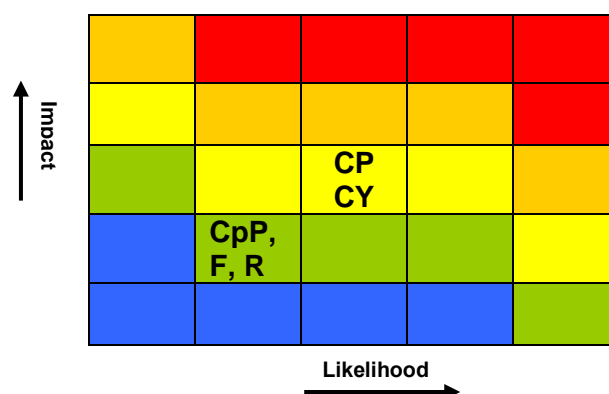
70. South Somerset District Council can take advantage of the certainty rate which gives a 0.2% reduction on the cost of borrowing. The current rate of borrowing for 30 years using the Equal Installment Payment rate is 3.16% but with the 0.2% reduction equates to 2.96%. It is important to note that the rate applied to the loan will be the rate at the date the loan agreement is made.
71. The overall repayment would be £2,695,496 which would consist of £1,865,046 principal repaid and £830,450 for total interest repaid. Based on a rate of 2.96%, the annual repayment would be in the region of £89,850 split between principal and interest payable.
72. Currently £25,074,000 of capital remains uncommitted and if capital receipts are used, this will reduce to £23,208,954. The loss of interest will be £56,324 per annum which would need to be added to the MTFP. Regardless of which funding option is chosen, an additional cost of £62,495 will be required per annum. This assumes financial contributions from partners will be met. This would add £62,495 to the MTFP for 2017/18 and beyond as a commitment. The costs for 2015/16 will be funded from non-earmarked balances. Non-Earmarked Balances currently stand at £5,374,000 and if members approve the recommendations, they will reduce to £5,161,655. The latest review of risks to SSDC balances shows that balances need to remain within the range of £3.4 to £3.8 million to meet current financial risks. Current balances as at 30th June are therefore adequate to meet current risks
73. To summarise the MTFP implications, if capital receipts are utilised, £118,819 per annum would need to be added to the MTFP including loss of interest of £56,324 per annum and additional costs of £62,495. If borrowing is utilised, £152,345 would need to be added to the MTFP including repayment of principal and interest of £89,850 and additional costs of £62,495. It is anticipated that the users of the facility through the setting of a £1 levy on ticket sales would finance the annual loss of interest or annual loan repayment, so that it is those that use the entertainment facilities who make a higher contribution towards the cost of their provision rather than the general council tax payer.
74. There are a number of financial risks to the project:
 - The refurbishment costs are indicative and have not yet been finalized. The scheme would be subject to further detailed design and tender processes.
 - It is not guaranteed that unbanked S106 contributions will be received.
 - The levy raised on ticket sales are estimated.
 - The rate applied to the loan is subject to change as the rate applied will be the rate at the date the loan agreement is made.

Risks

75. The key risks at this stage are:

- 75.1. Delays associated with Full Council or AW decision making process.
- 75.2. Handover date.
- 75.3. Accuracy of supplied information.
- 75.4. Contractor availability.
- 75.5. Extent of revenue impact stemming from prolonged closure.
- 75.6. Extent of revenue impact associated with the phased refurbishment.
- 75.7. Artist ticket sale income during the first post refurbishment year.
- 75.8. Facility levy receipts.
- 75.9. Premises age.
- 75.10. External grant funding.
- 75.11. Pavilion planning approval.
- 75.12. Internal project management resource.
- 75.13. Inflationary pressures.
- 75.14. Site abnormalities.
- 75.15. Reputation.

76. A risk log has been created for the potential project. The level of risk associated with implementing this next stage is summarised below in the Council's Risk Matrix.



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Corporate Priority Implications

77. The potential decision to take over the management and operation of the Westlands Sport and Leisure Complex is in accordance with Corporate Plan Focus Four - Health and Communities, where SSDC set out its priority to maintain and enhance the South Somerset network of leisure and cultural facilities.

Carbon Emissions and Climate Change Implications

78. The refurbishment proposals set out in this report will result in significant reductions to the current level of carbon emissions from the Complex. This will result in the main from

the planned room divisions, air handling, stage, lighting, sound equipment and rain harvesting installation proposals. As part of the detail design process that would be associated with the next stage of development of the project further consideration will be given to the environmental credentials of the modernisation programme, ensuring the refurbishment works accord with current good practice.

Equality and Diversity Implications

79. The recommendations contained within this report will enhance access by all members of our communities. The proposed refurbishments will enable the facilities to become DDA compliant.

80. Should members wish to proceed, SSDC will consult with the Equalities Steering Group as part of the detailed design and operating planning processes.

Background Papers

Confidential Appendices 1 - 6

Appendix 3

District Executive Slide Presentation (October 2015)



Westlands Sport and Leisure Complex

(Executive Decision)

Steve Joel, Assistant Director – Health and Well-Being,
South Somerset District Council

Making a difference where it counts



WLC Report

Purpose

- Present key findings from the surveys.
- Set out the updated financial implications of SSSDC potentially entering into an agreement with Finmeccanica – Agusta Westland to take over the management and operation of WLC.
- Provide an indicative budget framework to enable Councillors to undertake further risk analysis and take decisions on the next steps.

Making a difference where it counts



Report Correction

Making a difference where it counts



September Executive

Resolved:

- To give serious consideration to the refurbishment and operation of facilities on a broadly similar basis to their current use.
- That prior to considering the published recommendations 8.1 to 8.6, the Executive requires regular monitoring of the risk log by the Project Board, and in particular the following items:
 - Roof structures.
 - The condition and remaining life of the electrical services installation and mains equipment.
 - The condition and remaining life of the mechanical services installation.
 - A structural assessment of retaining walls around the site.
 - Previous hire and bookings.

Making a difference where it counts



Survey Findings

■ Roofs:

- No major issues.
- Replace flat roof coverings.
- Replace downpipes.
- Treat end lap corrosion and corroded fixings.

Making a difference where it counts



Survey Findings

■ Mechanical and electrical services

- Confirms M & E services are operating beyond their serviceable life.
- Identifies items that need to be repaired or replaced.
- Split into 3 categories.
- Opted to replace the elements as whole systems on a planned basis as part of the refurbishment proposals.

Making a difference where it counts



Survey Findings

- Retaining wall structures

- 1 issue found to the wall to the corner of the Wessex suite.

Making a difference where it counts



Hire Analysis

- Report sets out the main findings.
- Triangulated 'Function and Facility Hire' figures for last two years.
- Indicates that reported income was understated.
- £31K over the 2 years.

Making a difference where it counts



Sport Facility Option

- AW prepared to consider and present the option to their Board.
- Preference is for SSDC to take over the whole complex.
- No financial support.
- Operating subsidy between £110K-£135K year to SSDC.
 - Income: £102K
 - Expenditure: £235
 - (Loss): -£135K
- Additional capital costs – circa £200K-£250K.
- Capital couldn't be financed from Ticket Levy receipts.

Making a difference where it counts



Risk Log

Making a difference where it counts



WLC Financial Impact

- Capital**
- Revenue**
- Balances**

**Donna Parham, Assistant Director – Finance and
Corporate Services, South Somerset District Council**

Making a difference where it counts



Principle of Capital Spend

Capital Receipts can be used for capital spend only e.g. buying or enhancing and extending the life of an asset.

Making a difference where it counts



Capital Spend

Estimated Expenditure

Total Refurbishment Cost	£2,628,893
Project Management Fee	£75,000
Total Overall Cost	£2,703,893

Estimated Income

S106 Income	£385,847
Grant Income	£453,000
Total Overall Income	£838,847

Net Costs to Finance through Loan £1,865,046

Internal Borrowing at PWLB rates

30 Year Loan at 2.96%

Annual Repayment £89,850

Funded from ticket levies
from year 2 -£89,850

Making a difference where it counts



Impact on Capital Receipts

Current Uncommitted Capital Receipts £25,074,000

Allocation to AW Project as a loan £1,865,046

Remaining Capital £23,208,954

Annual Repayment to Capital £62,168

Making a difference where it counts



Benefits of Internal Borrowing

Interest is greater than current short-term market rates

Capital is repaid to fund other projects

Making SSDC's Capital work for the community

Reduces exposure to current Treasury Market risks

The loan is unlikely to affect future capital spend as receipts are currently sufficient to fund the estimated future demand for the next 10 years

Possible Issues

Capital returned over longer term i.e. 30 years

Borrowing hedges against increases in interest rates

Making a difference where it counts



Revenue

Figures outlined are very prudent - annual cost of £132,495 with contributions of £70,000 from AW and YTC the cost to SSDC is £62,495.

This needs to be added to the MTFP as a permanent commitment for 2017/18 if agreed.

Possible for complex to be more profitable once up and running.

There will need to be a "truing up" between the Octagon and the Complex.

Support costs for services such as payroll, HR, accountancy etc. will be absorbed i.e. no need for additional staff.

Making a difference where it counts



SSDCs Budget Position

Savings required over the next 5 years	£5.4 m
Savings target 2016/17	-£1.6m
Remainder to find 2017/18 and beyond	£3.8m
Current Net Budget	£17.4m
Current Gross Expenditure	£31.8m
Current Gross Income	£13.6m

Making a difference where it counts



So Can SSDC Afford it?

Is this a priority for members?

Forward Budget Issues and Opportunities:-

- Priorities through the Council Plan
- Shared Services
- Transformation
- Devolution
- Income generation
- Outsourcing/ commissioning
- Internal restructuring
- Service demand
- Changing demographics
- Interest rates
- Business rates
- Grant reduction
- Cost shunting

Making a difference where it counts



Balances

Balances are used to manage financial risks and in-year or once off expenditure outside of the normal budget process.

In this case there will be a period of closure for work to be carried out and no income will be received.

There is also a need to prepare some of the works pending final Agreement of the lease.

Balances are needed to fund the loan initially as levies on the Octagon will be delayed as current contracts do not include them. Also the complex cannot raise levies until open for business.

The required sum is £212,345 – this will only be drawn down when and if required

This does not affect the minimum level of balances required to meet the Council's key risks

Making a difference where it counts



Agenda Item 8

Motions

The following Motion has been submitted by Councillor Henry Hobhouse:

Home visits by Carers

Proposal - That this Council urges the Government and the County Council to ensure that home visits by Carers are a minimum of 30 minutes long and that Carers are paid for their travel time.

Agenda Item 10

Date of Next Meeting

Members are asked to note that the next scheduled meeting of the Full Council will take place on **Thursday, 22nd October 2015** in the Council Chamber, Council Offices, Brympton Way, Yeovil **commencing at 7.30 p.m.**
