



Report of the Strategic Asset Management Service

Inner South Area Committee

Date: 11th November 2010

Subject: South Leeds Sports Centre

Electoral Wards Affected:

City & Hunslet

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Council
Function

Delegated Executive
Function available
for Call In

Delegated Executive
Function not available for
Call In Details set out in the
report

Executive Summary

Executive board resolved on 13th October to close the South Leeds Sports Centre and grant a six month exclusivity period to Tiger11 to work with officers to further develop their plans to take over the centre. Tiger11 have had issues raising the necessary capital finance for their project and have been unable to convince those approached for funding or support of their proposal's viability.

1.0 Purpose of This Report

1.1 The purpose of this report is to detail the background of the position with South Leeds Sports Centre to accompany the report being submitted by Tiger11.

2.0 Background Information

2.1 In August 2009 the council's executive board considered a report detailing the vision for council leisure centre in Leeds. This report identified five centres for closure, but that the sites should be made available for community use, should a suitable community group be identified.

2.2 Tiger11 is a community organisation covering the Leeds 11 area. They are based at the former Hillside school, which they own.

3.0 Main Issues

3.1 The August 2009 executive board report set the following criteria for any community asset transfers:

- no ongoing financial commitment
- transparent community or public control and robust governance arrangements
- any leases to be on a full repair and maintenance basis for a minimum of 10 years
- adequate public liability insurance put in place by the organisation
- sound business plan for using the facility in the public interest
- evidence of sufficient funding in place to avoid coming back to the council for capital, revenue or emergency funding.

3.2 Expressions of Interest were invited in October 2009. Only one was received, from a partnership led by Tiger11.

3.3 Tiger11 was invited to submit a full proposal. The first proposal received was lacking in many areas. This was due to issues with securing funding for a feasibility study. inner south area committee awarded Tiger11 funding of £8,000 to enable them to hire a consultancy firm to develop a feasibility study and business plan for them.

3.4 This report was submitted in May 2010. It showed cumulative losses for the first five years of operation of £1.43m. At June executive board it was resolved that the centre should remain open for a further four months to allow Tiger11 more time to develop their proposals.

3.5 A revised report was submitted by Tiger 11 in August 2010. Officers had a number of concerns with the revised business plan, considering projected income levels to be very high and costs to be low, making the proposal very high risk. There was also no evidence that the significant capital funding necessary would be available. There was no sensitivity analysis presented with the proposals, but it was clear that if income was only 5% less than forecast the business would still be in deficit after 10 years and would have needed additional capital in 2013.

3.6 The proposal was reliant on £2m of funding from the Community Builders programme. This would have been in the form of 40% grant (£800,000) and 60% loan (£1.2m). Unfortunately Community Builders have stated there are a number of barriers with the proposal which seem too high to overcome. These include:

- State Aid: Community Builders have received legal advice that State Aid would apply because the centre will operate in the leisure industry. This means that the grant element of their funding would be limited to €200,000. It should be noted that the Council's legal department advise that in their opinion State Aid does not apply (because the project will not affect intra community trade) and so will not affect any asset transfer. Unfortunately State Aid is a matter of opinion and to get a definitive view from the European Commission would take longer than Community Builders funding is available for.
- The timeline for development runs beyond that permitted by the scheme. This would mean Community Builders could only part fund the project.
- Sustainability: Far more detailed market research and testing of the finances is needed to make a persuasive case for investment.

Tiger11 is attempting to persuade Community Builders to change its mind. However, given the nature of the concerns it is far from certain this will be possible, especially given the time constraints on the Community Builders funding.

- 3.6 Both Tiger11 and council officers agree that for any project to have a chance of being successful significant capital investment would be needed to improve the layout of the centre and the facilities within. Given the position with Community Builders this leaves a significant capital funding gap. It is understood Tiger11 would seek a commercial loan, but this will have a negative impact on the revenue affordability of the project.
- 3.7 At 13th October executive board it was decided to close the centre (as it would have been closed for a period anyway under the Tiger 11 plans) and to give a period of exclusivity to Tiger11 to work with officers to further develop their plans. Please note, this decision is still subject to Call In until 22 October 2010.
- 3.8 In the four month period between June and October the centre had an operating deficit of approximately £25,000 per month. This had not been budgeted for.

4.0 Implications For Council Policy and Governance

- 4.1 The Vision for Sport recommended the closure of the South Leeds Sports Centre.

5.0 Legal and Resource Implications

- 5.1 Closure of the centre has prevented further unbudgeted pressures on the council's revenue budget.
- 5.2 Council officers have felt unable to support the proposals submitted to date due to concerns over viability and the risk that further requests would be made to the council and others for emergency funding.

6.0 Conclusions

- 6.1 Tiger11 has produced three proposals so far to take over the South Leeds Sports Centre. None of these have met the criteria of having sufficient funding and being sound enough business plans to minimise the risk of ongoing requests for funding. The six month exclusivity period will hopefully allow a more supportable proposal to be produced and capital funding to be raised.

7.0 Recommendations

7.1 That area committee notes the contents of this report.

8.0 Background Papers

- 13th October 2010 - Executive Board 'South Leeds Sports Centre'.
- Vision for Council Leisure Centres – August 2009