

BYRNE AVENUE RECREATION CENTRE, BYRNE AVENUE, ROCK FERRY

1. EXECUTIVE SUMMARY

- 1.1 This report advises Members of the current position of the proposed Community Asset Transfer of Byrne Avenue Recreation Centre to the Byrne Avenue Community Trust and seeks instructions on the way forward.

2. Background

- 2.1 Cabinet has received a series of reports explaining the circumstances in which the Council has taken control of this building together with information regarding the substantial structural repair problems associated with the property.

- 2.2 The report submitted to Cabinet on 2nd September 2010 advised Members of the current position of the proposed Community Asset Transfer of Byrne Avenue Recreation Centre to the Byrne Avenue Community Trust (BACT). It was resolved that :-

- 1) Option 1, as set out in the report, be approved, and BACT continue through the Community Asset Transfer Process with a final deadline set of 17 September 2010 for the receipt of all the information required for its second stage submission; and
- 2) A further report be submitted to Cabinet for consideration at its meeting scheduled for 4 November 2010 to advise Members of the outcome of the Community Asset Transfer process in respect of this building.

- 2.3 The evaluation of the second stage submission in February 2010 raised concern in three key areas and additional information was requested in respect of repairs, funding and the business plan.

3.0 Present Position

- 3.1 BACT submitted additional information prior to the deadline of 17th September 2010 as set by Cabinet. This is considered further below.

Repairs

- 3.2 The cost of the refurbishment of the centre is substantial and BACT had estimated the refurbishment costs at £750,000 in their second stage submission received in February 2010. The repairs costs were broken down by area and description. Overall estimates were provided to cover roof repairs, lintol repairs, façade repairs, window repairs, car parking, electrics, heating, plasterwork, fire alarms, security alarms, PA systems, phones/cctv , fees and contingencies.

- 3.3 BACT was requested to provide a more detailed breakdown of the repairs including details of the structural repairs required.
- 3.4 In the additional information, BACT provided a quotation from a specialist contractor to carry out structural repairs to the pool surround, estimated at £212,000. In giving its estimate the company recommended that core samples are taken at various locations, together with dust analysis to determine the full extent of the deterioration. The budget figure for the testing is £5,000. The company make the proviso that only when a more extensive survey is carried out will the full extent of the repairs required be known and the budget figure will either increase or decrease on a pro rata basis. The Council's internal estimate for the repair of the pool surround is £396,200. This involves the full break out and replacement of the floor which is a different approach from that of an in situ repair. The Director of Technical Services has advised that the cost of carrying out large scale concrete repairs often substantially increases when the full extent of the deterioration is known.
- 3.5 Neither estimate provided can at this stage give certainty as to the final cost of the structural repair to the pool surround.
- 3.6 To provide additional information BACT commissioned a firm of building surveyors to provide a breakdown of the essential repairs necessary for the centre to re-open. This figure covers a narrower range of works than initially provided and does not include the structural repairs listed above. The essential repairs are estimated at £100,000. This figure is covered in the original estimate provided of £750,000 but does not include any mechanical works such as ventilation/filtration systems or the installation of heat exchange systems, professional and other fees. The report has assumed that all other elements of the building are satisfactory and are legislatively compliant eg disabled access, electrics. In light of the exclusions listed and other work required, it is Council officers' opinion that the expenditure actually required is likely to increase substantially.
- 3.7 Officers are concerned that the additional breakdown received from BACT to enable the centre to reopen does not cover the full extent of work required and that BACT's estimate of £750,000 for the full refurbishment of the building may increase (to in the region of £1,000,000).

Funding

- 3.8 Other than providing a list of potential funding bodies, BACT has provided no indication as to eligibility or likelihood of success, or the timescale, involved in obtaining the necessary finance. Although no formal offers of funding will be made by grant providers or commercial lenders until the property has been secured, it is possible to assemble an 'in principle' package to demonstrate funder's interest in the proposal. This would allow the Council to form a judgement as to the likelihood of success in funding the scheme. Further information will be required to more accurately establish the prospects for grant funding.

Business Plan

- 3.9 Initially seven years annual expenditure forecasts with detailed five year forecasts were received from BACT but no profit and loss accounts. Three years profit and loss accounts have now been received in the additional information however they do not

correspond with the earlier forecast information and do not show the impact of grants/loans and the repayment of the latter.

- 3.10 The full second stage application, including the additional information received, has been re-assessed as a complete resubmission by business advisors, from the Corporate Services Department. Overall, they remain of the view that the business plan is aspirational. Concern remains that it does not present a sound business case for the investment required to re-open the centre. The financial forecasts are, in the view of Council officers, inadequate to make a judgement with regard to sustainability and, as stated above, insufficient information was supplied to assess the likelihood of achieving funding.

Evaluation

- 3.11 The evaluation panel comprising Head of Asset Management, Head of Housing and Regeneration and officers from Sports and Recreation and Asset Management met to re-score the submission having received the additional information. The panel agreed with the concerns raised by the business advisors in the Corporate Services Department. A further six months has elapsed since the Stage 2 submission in February 2010 and since BACT was advised of the further information required. Although some of the points raised have been addressed BACT has still not provided sufficient information to enable its proposal to be substantiated as to its sustainability and financial viability.
- 3.12 The submission was evaluated using a scoring matrix under the following headings: sustainability of the project, community based benefits and outcomes, organisational structure, capability and skills, access to finance, use of space and collaboration. BACT scored 33% in the evaluation matrix.
- 3.13 In the opinion of the assessment panel the submission was particularly unsatisfactory in terms of sustainability of the project and access to finance.
- 3.14 Although not part of their submission, BACT has circulated a paper to Members with a request for £350,000 contribution from the Community fund, paid over two years, to contribute to the cost of the essential repairs. This is attached as an appendix to this report. BACT says it would then source the required funds to complete the refurbishment works which they have estimated at £400,000, but they do not say where this funding will come from. BACT has advised that they have agreed an initial interest free loan from an individual as working capital to re-launch the business, although no details have been provided.
- 3.15 BACT representatives attended a meeting with The Head of Asset Management and The Head of Housing and Regeneration on 18th October to discuss their application. They advised that they have spent a considerable amount of time in preparing the business plan and obtaining estimates for their second stage submission under the Community Asset Transfer. They also confirmed their full commitment to reopening the facility.
- 3.16 The building has been empty and under Council control since June 2009 and is costing the Council approximately £23,000 a year in empty rates, services and security for which there is no existing budget.

3.17 As reported above there are significant doubts over cost of the repairs, likelihood of achieving the necessary funding and the overall viability of the business model. It is necessary therefore to make a decision on the future of this property in accordance with the following options:-

4.0 Future Options

4.1 Option 1 - Continue with the Community Asset Transfer Process

4.2 If Members are minded to approve the transfer of the building under Community Asset Transfer, it is suggested that a deadline be set for BACT to produce sufficient evidence to demonstrate the probability of securing the necessary funding to deliver the repair and refurbishment of the building. In light of the condition of the building and the need to reduce the Council's ongoing liabilities, it is proposed that the deadline be 31st March 2011. It is also suggested that a response is given to the request for support from the Community Fund.

4.3 The Community Asset Transfer Policy advises that the Council will, subject to the availability of funding and the anticipated economic life of a building, carry out essential repairs to the main elements of any building, which it agrees to transfer under the Community Asset Transfer process, before any transfer is completed.

4.4 Substantial amounts of money are required to repair/ refurbish this building. The Community Fund would normally be used for this purpose. However, the anticipated level of expenditure at Byrne Avenue could take a substantial proportion of the total monies available and this could have a major impact on the Fund's ability to support other applications currently in the CAT process.

4.5 The facility does not have a strategic fit with the Council's core swimming pool provision. Bidders have been previously advised that there will be no contribution from Council resources because of this and the level of expenditure required to repair and refurbish this building. In the circumstances, taking into account the assessment of the business plan by Business Advisors from The Corporate Services Department and the evaluation by the assessment panel, Cabinet may conclude that it would be inappropriate for the Council to allocate resources from the Community Fund or the Council's own capital or revenue funding.

4.6 Option 2 - Disposal to a Partner Organisation

4.7 The Council's Disposal Policy sets out the procedure for the disposal of surplus assets. In accordance with the policy, the disposal of the property to partner organisations should be considered before an open market sale. This will include examining the site's potential for social/affordable housing, prior to the asset being offered for sale in the open market.

4.8 The viability of using this site for social/affordable housing has been discussed with the Head of Housing and Regeneration. The site is outside the HMRI area and although housing is a possibility, if taken forward by a registered social landlord it is likely to need grant funding which is currently in very short supply from the Homes and Communities Agency. It is considered that it will be very difficult to identify funding for some time to come.

4.9 No other partner interest has been identified.

4.10 **Option 3 - Disposal of the building in the Open Market**

4.11 A sale of the building would remove all liability from the Council and there would be no delay in marketing the building. The market will determine whether the building is refurbished and reused or demolished and site redeveloped. The risk is that, on disposal, the Council would have no further control over the building which could be left vacant and unused by the purchaser and, therefore, may become vandalised and detrimental to the surrounding area.

4.12 **Option 4 - Disposal of the Cleared Site**

4.13 This would require the demolition of the building. The demolition costs, including a type 3 asbestos survey, are estimated at £160,000. There is no budget identified to meet this expenditure. This option would ensure the building is not left empty for a long period, if an alternative use cannot be found. There would be a delay before the site could be marketed whilst the building is being demolished. Demolition removes the possibility of the existing building being reutilised. Any delay in disposing of the building will result in additional empty property costs. It is estimated that a capital receipt is likely to be in excess of the cost of the demolition.

4.14 In respect of disposal options, a sale of the building on the open market would be the recommended choice (option 3).

5.0 **Conclusion**

5.1 The BACT group has put in considerable time and effort to bring forward its proposal for the asset transfer of this facility, and the group remains committed to achieving a successful transfer. It has provided further information to support its original Stage 2 application, and its proposals have been re-evaluated in the light of this submission. In the view of Council officers it is likely that the costs of repairing and refurbishing the building will exceed the sums identified by BACT, and at this stage officers cannot confirm that the necessary funding will be secured. In addition, the financial information provided is insufficient to make a judgement as to the future financial sustainability of the organisation. If the transfer proposal is to proceed further officer support will be required to the process. In the meantime the building remains a liability to the Council. On balance therefore it is recommended that no further action be taken to proceed with an asset transfer of the building and that it be sold on the open market in line with Option 3 above.

6.0 **Financial implications**

6.1 BACT has circulated the attached report to members with a request for £350,000 contribution from the Community fund paid over two years to contribute to the cost of the essential repairs. BACT would then source the required funds to complete the refurbishment works which they have estimated at £400,000.

6.2 4.3 to 4.5 explains the basis on which the Community Fund would normally be used to support Community Asset Transfer and the particular circumstances relating to this property.

- 6.3 If the Council were to sell the property it should achieve a capital receipt. The actual sale price would be determined by the market although a disposal for social housing may only achieve a reduced receipt.
- 6.4 There is no guarantee that the cost of demolition would be recovered in the disposal price achieved particularly in the current market.
- 6.5 The annual costs being incurred by the Council in retaining this vacant building in empty business rates electricity, insurance, rental of temporary fencing around the pool, security and boarding up is approximately £23,000. There is no existing revenue budget for this property and currently these monies are being met from the Strategic Assets budget.

7.0 Staffing implications

- 7.1 There are no staff directly employed to look after these premises, therefore there are no staffing implications arising directly from this report.

8.0 Equal Opportunities implications/Equality Impact implications

- 8.1 The building is unused and recreational needs are currently being met at other facilities. The recent refurbishment of the Oval includes a high level of provision for disabled access.

9.0 Community Safety implications

- 9.1 The building is currently empty and could attract anti social behaviour.

10.0 Local Agenda 21 implications

- 10.1 None arising directly from this report.

11.0 Planning implications

- 11.1 The site is designated as being in a Primarily Residential Area on the Unitary Development Plan adopted by the Council in February 2000. UDP Policy HS15 allows for non-residential uses which would not result in a detrimental change in the character of the area. Reuse as an indoor sports centre would not require planning permission. Planning consent would, however be required for the redevelopment of the site for other uses.
- 11.2 The site is not subject to the restrictions contained within the Interim Planning Policy for New Housing Development adopted by the Council in October 2005.

12.0 Anti-poverty implications

- 12.1 None arising directly from this report.

13.0 Human Rights implications

- 13.1 None arising directly from this report.

14.0 Social Inclusion implications

14.1 None arising directly from this report.

15.0 Local Member Support implications

15.1 The property is in the Rock Ferry Ward.

16.0 Background Papers

16.1 Cabinet Reports, Byrne Avenue Recreation Centre
28th May 2009.
24th September 2009.
2nd September 2010.

17.0 RECOMMENDATIONS

That:

17.1 Byrne Avenue Community Trust be thanked for their time and effort in pursuing an asset transfer.

17.2 In the absence of a financially robust proposal for transfer no further action be taken to proceed with an asset transfer of Byrne Avenue baths.

17.3 The Director of Law, HR and Asset Management be instructed to dispose of the property on the open market.

Bill Norman

Director of Law, HR and Asset Management