

Report subject	Acquisition of Bournemouth Indoor Bowls Centre (Kings Park)
Meeting date	14 April 2021
Status	Public Report (Confidential Appendices)
Executive summary	<p>The MHCLG Towns Investment Fund has provided an opportunity for the Council to acquire the leasehold interest in the Bournemouth Indoor Bowls Centre, so as to better manage the site for the provision of indoor bowls and for wider community benefit, along with securing the tenancy of Skills and Learning for the long-term.</p> <p>Cabinet on 16th December 2020 approved the principle of acquiring the leasehold interest. This report details the Business Case including the financial implications and risks and concludes that the overall proposal is viable, should the lease be purchased with Towns Investment Fund or Prudential Borrowing pending the outcome of the Council's funding application to MHCLG.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ul style="list-style-type: none"> (a) Subject to satisfactory completion of due diligence agrees to the Council exchange contracts on the purchase of the Bournemouth Indoor Bowls Centre (Kings Park) lease, funded by Towns Investment Fund Accelerator Funding, (b) agrees to complete the purchase of the lease for the Bournemouth Indoor Bowls Centre (Kings Park) either: <ul style="list-style-type: none"> (i) utilising Towns Investment Funds grant (subject to approval of the Full Business Case by MHCLG funded or; (ii) utilising Prudential Borrowing; (iii) delegates authority to the Corporate Property Officer in consultation with the Portfolio holder, Monitoring Officer and S151 Officer to finalise the detailed terms of the acquisition and funding model.

Reason for recommendations	<p>The proposal will assist BCP Council to deliver the outcomes of the Corporate Strategy priorities; Connected Communities; Fulfilled Lives; (Promoting Lifelong Learning) Dynamic Places and supports Council policies regarding quality environments that support healthy lifestyles, connectivity, biodiversity, climate change and sustainability.</p> <p>The purchase of the lease will enable the Council to develop strategic options for the site that respond to community need for recreation and learning facilities whilst maintaining the provision of bowls.</p> <p>It will provide opportunity to increase the usage of the centre by bringing together fragmented well-being services, and generate income for the Council without increasing overall costs significantly.</p> <p>The purchase will secure the long-term tenancy of Skills and Learning Adult Community Education, maintaining the delivery of adult community education in Bournemouth/ Boscombe on the first floor, utilising the external grant income to better manage the building and facilities.</p>
Portfolio Holder(s):	Councillor Philip Broadhead, Deputy Leader and Portfolio Holder for Regeneration, Economy and Strategic Planning.
Corporate Director	Kate Ryan – Chief Operations Officer
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Wards	Littledown & Iford;
Classification	For Decision

Background

BCP Council (Landlord) owns the freehold interest of the site within Kings Park upon which Bournemouth Indoor Bowls Centre was built in 1995.

The site is subject to a lease dated 24 April 1996 under the following terms:

- 99 years, commenced 30 October 1995 (approximately 74 years remaining)
- Tenant; Bournemouth Indoor Bowls Club
- Annual ground rent paid to BCP £19,369 per annum
- Tenant liable for all repairs and insurance to be building and car park
- Rent review every three years linked to Retail Price Index

The Tenant currently sublets the first floor of the building to BCP Council Skills and Learning (Adult Community Education) who pay an all-inclusive rent per annum. This service is externally funded by Education Skills Funding Agency grants and learner fees to deliver Adult Skills, 16-18yrs, Community Learning courses and Apprenticeships. It is one of the service's busiest centres with over 2000 learners attending courses.

The Council is committed to the provision of bowls in the area and the centre provides facilities for around 200 club members each year. Other facilities within the premises include a cafe/bar, function room and a small retail clothing shop.

It is the intention of the Council to acquire the leasehold interest, so as to better manage the site for the wider community benefit, secure the site for Skills and Learning, whilst maintaining the provision of bowls in the area.

The Towns Investment Fund has provided an opportunity to purchase the centre and, further to negotiations, a price has been agreed with the operator for the purchase of the lease. This offer is based on an in-house valuation that draws on and refreshes the 2016 external RICS accredited valuation commissioned by Bournemouth Borough Council.

MHCLG has approved funding as part of the initial £1m advance towards the purchase of the centre, to cover the cost of condition surveys, legal work and provide a deposit for the purchase of the lease. The funding for the remaining balance is earmarked within the main Towns Investment Fund Plan for the purchase and the cost of dilapidations. Should this capital fund not be forthcoming, there is an alternative option to fund the remaining balance using Prudential Borrowing.

Benefits

1. The key benefits to the Council from acquiring the long lease of the premises are to:
 - secure the provision of existing services and create opportunity to increase usage and centralise fragmented well-being services;
 - respond to identified community need for recreation facilities as part of the Built Facilities Strategy for leisure and recreational provision;
 - provide opportunity to generate income for the Council without significantly increasing overall costs;
 - contribute to the regeneration of the Boscombe area as outlined in the Towns Investment Plan, enabling the realisation of the vision for a multi-purpose centre with a skills hub and space for a range of health and fitness activities;
 - use Towns Investment Funding to improve education facilities and numbers of people with qualifications, skills and resilience;
 - support aims within the Bournemouth and Poole Sports Strategy by enabling improvements to quality, quantity and accessibility of sports infrastructure to meet the demand and needs arising from an increasing population and anticipated increases in participation;
 - attract Salix decarbonisation/ sustainability grants for reducing the ongoing utility costs for heating, electric, lighting etc;
 - benefit from a Technology Cell - a SmallCell for a 5G+4G+IOT network near to Kings Park providing connectivity to the centre;
 - provide accommodation for the Parks in Mind comprehensive programme of well-being and recovery programmes and base for volunteering to help improve community engagement in Kings Park.

Consultation

2. Corporate Property Group (CPG) on 29 October 2020 considered and approved the business case to acquire the leasehold interest. The CPG is chaired by the Chief Executive/Corporate Property Officer and other members include Corporate Directors, Section 151 Officer and service units leads.
3. Cabinet on 16 December 2020 received an update on the allocation of MHCLG acceleration funds awarded as part of the Boscombe Towns Fund Investment plan to progress this acquisition and undertake surveys and valuations and fund the 10% deposit.
4. External public consultation on the Boscombe Town fund Masterplan and investment plan has been undertaken with numerous stakeholders through continuous community engagement through the ongoing #MyTown campaign 2020 and social media campaign to support the #MyTown Campaign.
5. Consultation has taken place with Boscombe Creatives through a meeting and survey, May-June 2020. The Stage 1 Consultation- Vision, Aims and Themes, June 2020, the draft TIP Consultation- August- September 2020. The reports from these consultations indicate considerable interest in the proposals from residents and businesses, together with strong support in principle for our proposals from the wider community, who were supportive of including the acquisition of this asset in the investment plan.
6. Consultation has also taken place with the Chair of the bowls club and the Tenant.

Options Appraisal

7. The ground floor of the centre currently provides facilities for bowling and the provision of food and drink. The centre has a large underutilised capacity with the membership numbers of the Bowling Club having declined year on year, with a 50% reduction in March 2020 compared with the previous year.
8. The alternative option is not to proceed with the purchase of the leasehold interest back into the council's ownership, however this would pose a missed opportunity to work with the Bowls Club to realise the full potential of this asset as a thriving facility and community hub, funded by the Towns Investment Fund.

Summary of financial implications – see Appendix 1

9. Subject to the completion of due diligence, the Council has estimated the total cost of the lease acquisition including costs of dilapidation works (including contingency) post lease acquisition. Dilapidation works estimates are based on building condition surveys that have been completed by the Council.
10. The Council included the premises acquisition within the Boscombe Towns Fund grant bid to Ministry for Housing, Communities and Local Government (MHCLG). In September 2020 the Council received £1m 'accelerated Towns Fund' grant in respect of this bid, for spend on Boscombe Towns Fund projects in advance of 31 March 2021.
11. With the agreement of MHCLG (and approval of Cabinet December 2020), £100k of the £1m grant was allocated to the King's Park Bowls Club to fund survey and legal fees and a deposit upon exchange. The remaining balance of the total

outlay is included within the wider Towns Fund bid of £25m submitted to MHCLG on 30 October 2020.

12. On 3 March 2021 MHCLG confirmed that it would support the allocation of the Towns Fund grant, subject to completion and MHCLG approval of the final business case. Given the overall reduction in potential Towns Fund grant (from £25m original to £21.7m revised potential maximum), the Towns Fund Board will consider whether the King's Park Indoor Bowls Club should continue to be included within the Towns Fund bid. The Council is required to inform MHCLG of this decision by 3 May 2021.
13. The Service Unit assesses the risk of funding clawback of the £100k Towns Fund Accelerator Funding already cash received and allocated to the scheme as low.
14. Should the business case for Towns Fund grant not be approved by MHCLG or the project not be included as a Towns Fund project, the Council could seek to utilise alternative sources of funding such as Community Infrastructure Levy or PWLB borrowing to complete the acquisition.
15. A 'worst case scenario' 25-year cashflow model, based on the Council operating the premises as is, suggests there is scope for prudential borrowing to be repaid as well as provision to be made for major repairs over the life of the asset from additional net income generated at the site.

Cash flow modelling assumptions

16. The Council will take ownership of the premises and services provided. No allowance is made for transition between the current tenant and BCP.
17. The overall offer will remain the same – namely indoor bowling, food and beverage and a retail outlet. This position will be reviewed once the Council assumes ownership, to develop longer term strategies for the premises, in consultation with stakeholders. Whilst 2% allowance for inflation is included within financial modelling, no allowance is made for further income growth.
18. Cautious estimates of turnover and gross surplus have been included within the model. These are based on BCP Officer review of the current tenant's unaudited financial statements for the last 3 years, with a downward revision to allow for the impact of Covid and general market uncertainty at this time.
19. Prior to acquisition by BCP, it is assumed the tenant will have wound up all their business interests in the asset.
20. Staff costs are allowed for based on the employment of new Council staff at the premises. The existing staff would be eligible for TUPE should the Council continue services delivered by the existing posts at the point of purchase. The roles would be included in the Council's Pay and Reward review.
21. Building related operational spend (including rates, insurance, cleaning, maintenance and utilities) will become the responsibility of the Council. Because the asset is sited on charitable land, it is assumed that the asset will qualify for the 80% mandatory relief on Non-Domestic Rates (Business rates) once transferred to the Council. Business Rates of £6k per annum (including 80% mandatory relief) are assumed within the financial operating model.

22. On-going utilities costs have been revised with a reduction of £2.5k per annum assuming improved value for money as a result of inclusion in Council contracts for energy suppliers and more efficient management of heating.
23. The Skills & Learning annual rent currently paid to the leaseholder will subsequently be paid to BCP Council as annual contribution towards building related costs.
24. The annual ground rent of £19k will be forgone following lease acquisition.
25. It is assumed no significant refurbishment or remodelling of the premises (other than dilapidation repairs) is required at this time, and that the Council will continue to run the premises as a bowls club with the food, beverage and a retail outlet continuing when the Council takes ownership. The Council will need to consult with bowls club members on any next phase development plans, so as to manage their expectations.

Financial risks

26. MHCLG funding is pending until such time as the Towns Fund Board confirm the project will form part of revised Towns Fund bid and the resulting business case is developed and approved by MHCLG. Should the project be included as a Towns Fund project, business case completion will be accelerated to seek a MHCLG decision in 2021/22.
27. Completion of legal due diligence is outstanding at this time – this includes review of land registry title, local authority searches, environmental reports and flood risk reports. The results of these searches could increase the Council's financial obligation with respect to the site.

VAT

28. The lease will be subject to VAT at the standard rate. The building will be mainly used for VAT exempt purposes (Adult Education services, sport services, etc) which means that the VAT recovery will be subject to partial exemption rules. Based on the projection for 2020-21, there should be sufficient headroom within the Council's de-minimis limit to allow the VAT charged to be fully recovered. Any subsequent investments to the site should be reviewed from the partial exemption perspective to ensure a safety headroom is maintained at an acceptable level.

Value for Money

29. The proposal will require the investment of public funds to acquire the lease, undertake dilapidation repairs, and assume service operation. The investment will enable to better shape current service provision in line with Council strategic priorities and ambitions – for example promoting access to leisure and health and wellbeing strategies.
30. Financial modelling suggests the potential for the service to generate future net income streams for the Council (even after repayment of borrowing if required). This is before taking into account the potential for service expansion once under the Council's control.
31. Final lease acquisition price is in accordance with a Red Book valuation as commissioned by Bournemouth Borough Council in 2016 and refreshed by the Council's in-house Estates Team in 2020.

32. The terms of the lease allow for the lease to revert to the Council's ownership at nil cost in the event of the tenant becoming in breach of lease obligations / ceasing to trade viably. Review of the tenant's unaudited financial accounts suggests that this is not likely in the near future.

Summary of legal implications

33. The site sits within an area of the Five Parks Trust and is controlled by the Bournemouth Borough Council Act 1985. The trustees of the land are the elected councillors.
34. The Trust specifies the use of the land for recreation, leisure and sport and therefore there was a concern some of the Skills and Learning use could fall outside the definitions of the Act. Legal advice was sought and it is deemed that the provisions of the Act would enable Skills and Learning to remain in the premises. The definition of recreation is regarded as very broad but the service would need to focus on activities and courses which relate to personal development, wellbeing and health as opposed to courses for work/employers.
35. The transaction will be managed by the Council's internal legal team once instructed.

Summary of human resources implications

36. The staff employed by the current operator would be eligible for TUPE transfer to the Council's employment should their roles remain operational. A full understanding of TUPE implications is required before completion.

Summary of sustainability impact

37. The Efficiency Performance Certificate has scored the building 73, placing it in the upper quartile of Band C (51-75). This is evidence that the building is compliant with government energy efficiency standards and is already compliant for the purpose of rental if required. The report provides a list of recommended improvements for medium term payback (3-7 yrs) including replacement of lighting units and lamps, fitting start/stop to the heating system, introducing cavity wall insulation to some walls. Recommendations for longer term payback (7+ years include weather compensation and time controls to the heating and additional insulation to roof spaces and solid walls.
38. The Council will have opportunity to apply for Salix decarbonisation/ sustainability grants to improve the energy efficiency of the building.

Summary of public health implications

39. Increasing access to fitness and health services contributes to the health and well-being of local residents and reduces health inequalities. Service providers delivering from this centre will be working in collaboration to achieve the best possible outcomes for residents using the centre.

The delivery of social prescribing programmes such as Parks In Mind within Kings Park can deliver health and wellbeing benefits of approximately £20 per visit (Vivid Economics – BCP Council Natural Capital Account)

Summary of equality implications

40. The acquisition of the building/leasehold itself does not have any equality impact.

The potential projects that are enabled as a result of the acquisition will have an equality impact and the potential of those are estimated in the EIA conversation tool attached. When these projects are further defined EIAs will need to be undertaken to determine the precise impacts and benefits.

Summary of risk assessment

41. Due Diligence is yet to be fully completed. This may have an impact on the final lease acquisition price.
42. There is risk associated with taking on a new service that the Council has had no direct prior experience of managing, with no guarantee over income levels. This risk is reflected in the cautious income projections included within the 25-year cashflow forecast.
43. Should the premises not satisfy current health and safety, disabled access, fire safety measures or building requirements and require adaptation work to bring the premises up to required standard, this will be reflected in the final acquisition price or it will result in additional funding pressures affecting income projections and/or disruption to services.
44. The annual rent from Skills and Learning is funded by external grants from the Education Skills Funding Agency. Whilst there is relative certainty for the medium term, there potential remains for future grant funding to be reduced or withdrawn by Government.
45. The Council could choose to either cease steps to acquire the premises (and lose the MHCLG funded deposit paid on exchange) or utilise alternative sources of funding. There is a risk that MHCLG may seek to recoup the £100k allocated to the project, should the Council not proceed with the acquisition. The Council could choose to take out new prudential Invest to Save borrowing from 2021/22, if no other external grant funding or CIL is secured.
46. It is assumed no significant refurbishment or remodelling of premises is required at this time, and that the Council will continue to run the premises as a bowls club with the food, beverage and a retail outlet continuing when the Council takes ownership. The Council will need to consult with bowls club members on any next phase development plans, so as to manage their expectations.
47. Using BCP Officer review of the current tenant's unaudited financial statements for the last 3 years, prudent estimates of turnover and gross surplus have been included within the financial model. 25-year cashflow modelling assumes a downward revision to allow for the impact of Covid and general market uncertainty at this time.

Background papers

Boscombe Investment Plan

Appendices

Appendix 1 – Summary of financial implications (Confidential appendices)