

The background of the slide features a large, faint, light blue watermark of the City of Edinburgh Council crest. The crest is a shield divided into four quarters. The top-left quarter shows a castle tower, the top-right a stag's head, the bottom-left a sailing ship, and the bottom-right a crowned eagle. Above the shield is a crown with four fleurs-de-lis. A banner at the bottom of the shield contains the motto 'ANE FOR A'.

Agenda Item 10

Synthetic Sports Pitches

Falkirk Council

Title: Synthetic Sports Pitches
Meeting: Executive
Date: 29 November 2016
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval for proposals to facilitate the creation of two synthetic sports pitches at Bo'ness and Denny.

2. Recommendations

2.1 The Executive is asked to:-

- (1) agree that the Council becomes a joint applicant with the clubs for sportscotland funding;**
- (2) agree that the Director of Corporate and Housing Services or his nominee be authorised to take all decisions required to take the joint application to conclusion; and**
- (3) agree that should any significant changes or issues arise a further report will be brought back to committee.**

3. Background

- 3.1 The Executive of the 20 October 2015 agreed that the bids from Newton Park (Bo'ness) and Dunipace Junior Football Club (JFC) to develop synthetic pitch should be taken forward to Stage 2 of the application process. Stage 2 being a more detailed appraisal of the proposals from each club where the clubs would provide the Council with detailed design, technical, functional and financial details. The level of Council funding would be in the region of £360,000 for each applicant.
- 3.2 It was also agreed that officers would report back to the Executive on any significant issues that arise. This report provides an update of the overall position since the bids were approved.

- 3.3 As stated in the October report, each applicant still faced a considerable challenge in obtaining the total funding required and any award of grant made by the Council did not guarantee that the pitches would be provided.
- 3.4 In both cases, the applicants were looking to make bids to **sportscotland** to provide a significant part of the total funding required, in both cases this would be around £250,000. As part of the clubs' initial discussions with **sportscotland**, an issue arose with a specific condition within their application guidelines which states that *we (**sportscotland**) normally expect applicants to meet at least 25% of the eligible project costs from their own resources, which may include bank borrowing and members' loans. Applicants who have secured funding designated for their local area may include this within their applicant contribution.*
- 3.5 For our two applicants, the 25% would equate to c£162,000 for Newton Park and c£195,000 for Dunipace JFC. Although this could be reduced to 10% of the eligible cost if the applicants could demonstrate that at least 70% of members/users are residents of a deprived area as identified by the Scottish Index of Multiple Deprivation (SIMD).
- 3.6 **sportscotland** has made it clear that the provisional funding awarded by the Council would not count towards the applicant's contribution. Given the scale of the additional funding required and the apparent lack of other alternative funding sources, neither of our applicants would be able to meet this condition, effectively meaning that they may be unable to source or secure the total funding to complete their projects.
- 3.7 Since February there has been a number of meetings and ongoing correspondence with **sportscotland** aimed at establishing whether a solution could be found which would enable both applicants to submit funding bids to **sportscotland**.

4. Considerations

- 4.1 There are three options available
- The bids are taken forward on the same basis as agreed by Members in October 2015, with the Clubs given more time to source alternative funding;
 - Rearrange the Council's proposed funding package to enable the applicants to meet **sportscotland's** application criteria
 - The Council submits joint applications with both Newton Park and Dunipace JFC

Taking forward the bids on the previously agreed basis

- 4.2 As noted above at paragraph 3.1 the Council funding for the capital works for both applicants would only be made available once a series of requirements were met (Stage 2 of the application process). Critically this included obtaining the total funding required for each project. The Council can maintain this position of only being a grant funder but give both Newton Park and Dunipace JFC more time to find the additional funding required from alternative sources. If additional funding was successfully secured both projects could proceed as planned through Stage 2 of the application process.

Rearranging the funding package

- 4.3 At a very early stage in the discussions, it was suggested by that the Council funding package could possibly be amended, subject to Member approval, to provide the applicants with a grant and a loan, the grant and loan elements together adding up to the total value of the £360,000 funding agreed. In relation to the loan element, the Council would be in a position to offer more favourable terms, both in terms of costs and repayment arrangements, in comparison with an external lender.
- 4.4 **sportscotland** has confirmed that creating a loan element would meet their requirements in terms of demonstrating the applicant contribution. Although it is still to be confirmed by **sportscotland**, it is unlikely that either applicant would meet the deprivation criteria to reduce the applicant contribution to 10%. The potential loan would, therefore, be in line with contributions detailed at paragraph 3.5 and inevitably put pressure on the financial viability of the project. Steps could be taken to mitigate this pressure, particularly by deferring the repayment period. However, as with any loan, there would be an expectation that it would eventually be repaid at some point.

Submitting joint applications

- 4.5 It has been clear in our discussions with **sportscotland**, that it would like the Council and Falkirk Community Trust to take a more prominent role in the process by a joint application for funding made by the Council and the Clubs. **sportscotland** are primarily concerned about both Clubs' capacity to deliver the capital project and successfully operate the facility once it is fully operational without the support of the Council and the Trust.
- 4.6 Overall we remain confident that both Clubs can deliver the capital project through both the capital and operational phases, with a degree of support from the Council. Under the current arrangements the Council funding for the capital works would only be made available once a series of requirements were met (Stage 2 of the application process), and to a large degree these mirror **sportscotland's** conditions. In addition both clubs have a long history in the community and have successfully managed their current facilities.

- 4.7 The joint application arrangements would have the effect of dealing with the issue of the applicant contribution. **sportscotland** have confirmed that Falkirk Council would, as joint applicants, meet this condition, on the basis of the funding that has been provisionally agreed for both projects.
- 4.8 As part of any joint application, both Clubs would still be primarily responsible for managing the application process to **sportscotland**. This is important in terms of the Council facilitating the process rather than leading. In addition, only the Clubs will be able to satisfy some of the grant conditions, in terms of land ownership and the standard security required by **sportscotland**.
- 4.9 Having taken specialist external advice, these arrangements would also further assist the delivery of the project by opening the potential for the Council to commission and undertake the works at both sites. Initial discussions have been held with Hubco in relation to their capacity to carry out the works for the Council. This would give procurement benefits in terms of delivering the project at a price considered to be best value and reduce the costs by mitigating the impact of VAT. Based on the Clubs' initial estimates for the project costs, the saving would be c£108,000 for Newton Park and c£130,000 for Dunipace JFC. This would almost bring the estimated costs of both projects into line with the funding provided by the Council and the potential grant awarded by sportscotland (Dunipace JFC would remain c£40,000 short of the funding required).
- 4.10 Operationally the clubs would take the lead role in managing the facility, but could provide a degree of support ranging from providing a management service paid for by the clubs (i.e. access to a booking system/duty officer via Falkirk Community Trust) to providing advice and support as and when required.
- 4.11 However, under this option, the Council would find itself bound into **sportscotland**'s terms and conditions of grant funding for their 25 year duration. In the worst case scenario of a club failing, **sportscotland** could look to the Council to repay the balance of the **sportscotland** grant (which is interest free and reduces by 1/25th each year). Clearly, in such a scenario, the Council would wish to have security over each site.

5. Consultation

- 5.1 The relevant local members as well as the portfolio holder have been consulted on the proposals.
- 5.2 Falkirk Community Trust, **sportscotland** and the two clubs have been informed on the proposed arrangements

6. Implications

Financial

- 6.1 The financial implications remain the same for the Council under each option, in that the funding available is up to £360,000 per pitch, plus £10,000 per Club for developing their bids.
- 6.2 If it is agreed that a joint application process should be taken forward, the Council will explore the potential to commission and undertake the works in lieu of the provisional award of grant to both Clubs. This would be subject to all the required funding being in place.
- 6.3 By becoming a joint applicant, the Council would have to sign up to **sportscotland**'s terms and conditions, increasing the level of financial risk in the future, particularly if either Club was unable to meet its obligations. In the worst case scenario of a club failing, as noted at paragraph 4.11, the Council could find itself responsible for repaying the balance of the **sportscotland** grant funding.

Resources

- 6.4 In respect of a joint application, officers will have to spend significantly more time than was originally anticipated from solely being a grant funder for the project to a joint applicant.
- 6.5 The continued support of Falkirk Community Trust will also be required to assist with the development of any joint application to **sportscotland**

Legal

- 6.6 The proposals will be subject to the successful conclusion of all necessary agreements in place between the Council, the Clubs and **sportscotland** that are required to enable a joint application being made.
- 6.7 Discretionary power is available to the Council in terms of the power to advance well-being under The Local Government in Scotland Act 2003 where the Council considers that support, funding, lending or provision of underwriting is likely to promote or improve the well-being of the area or persons in it.

Risk

- 6.8 The delivery of project is still subject to external funding being secured and there is still a challenge in obtaining the total funding required and the award of grant made by the Council does not guarantee that the pitches will be delivered.
- 6.9 As noted above, under the third option, in the worst case scenario of a club failing, the Council could be required to make repayment of the balance of the sportscotland grant funding.

Equalities

- 6.10 The proposal maintains or enhances opportunities to the community and sports groups, therefore, a full assessment is not required.

Sustainability/Environmental Impact

- 6.11 None

7. Conclusions

- 7.1 Delivery of the two synthetic sports pitches by both Newton Park and Dunipace JFC is dependent on securing additional funding. However, a condition in **sportscotland's** application process regarding the applicant contribution has made it unlikely that either Club would meet this condition given the amount each would have to provide.
- 7.2 The Council can maintain its current position of only being a grant funder but give both Newton Park and Dunipace JFC more time to find the additional funding required from alternative sources.
- 7.3 **Sportscotland** has confirmed that dividing the Council's provisional award between a loan and a grant would enable the Clubs to meet this condition. The size of the loan would be considerable and would place a financial burden of repayment on the clubs.
- 7.4 However a joint application seems the more viable option. This would meet **sportscotland's** condition regarding the application contribution and enable an application to be made.

- 7.5 To further support the project, and in line with a joint application, the Council will explore the potential to commission and procure the works required. This would potentially reduce costs by mitigating the impact of VAT and bring the estimated costs of the works almost into line with the potential funding on offer from both the Council and **sportscotland** (Dunipace JFC would be c£40,000 short of the funding required).

Director of Corporate & Housing Services

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Appendices

None

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- Corporate and Housing Services Files