

Report to Cabinet

18 October 2023

Subject:	Sandwell Aquatic Centre Project Closedown Report and Financial Closure
Cabinet Member:	Cllr Charn Singh Padda, Cabinet Member for Leisure and Tourism
Director:	Tony McGovern, Director for Regeneration and Growth
Key Decision:	No
Contact Officer:	Alexander Oxley, Capital Projects Manager alexander_oxley@sandwell.gov.uk

1 Recommendations

- 1.1 That the Director of Finance be authorised to identify and finance the £0.54m funding contribution previously committed, and then rescinded, by Sandwell Leisure Trust, from the most appropriate funding source for the Sandwell Aquatic Centre.
- 1.2 That approval be given to authorise the Director of Regeneration and Growth, in consultation with Director of Finance, to fund an identified shortfall of £0.151m in business rate liability from project underspend and the Capital Project Support Reserve for the Sandwell Aquatic Centre.



2 Reasons for Recommendations

Sandwell Aquatic Centre (SAC) Completion

- 2.1 Sandwell Aquatic Centre was completed on 6th July 2023 and formally transferred to Sandwell Leisure Trust as the operator on this date.
- 2.2 It opened as a community leisure centre on the 24th July 2023, providing world-class facilities for the residents of Sandwell and the wider region.
- 2.3 Over the first 8 weeks of being open to the public the centre has already achieved significant milestones, namely:
- Averaging around 12,000 – 15,000 visits per week
 - Over 4,500 paying fitness direct debit customers
 - Circa 2,000 children signed up to the learn to swim programme
 - 46 schools attending weekly on the school swimming programme
 - The diving programme has commenced in Sept with 96 enrolled on the scheme
 - Over 80 group exercise classes on offer per week with an attendance of over 90%
- 2.4 The centre was delivered on time and within the approved budget of £92.256m.
- 2.5 SAC represents one of the primary legacy benefits from the B2022 Commonwealth Games and will deliver much improved health outcomes for Sandwell and the region whilst also serving as a centre for elite aquatic sporting development.

SLT Funding Contribution

- 2.6 On 31st January 2018 SMBC Cabinet approved the development of Sandwell Aquatic Centre as a host venue for the 2022 Commonwealth Games.



2.7 On 20th November 2019 SMBC Cabinet approved the budget and contract award to deliver the centre, this approval was on the basis of an agreed funding package, which included:

Funding Source	Amount
Sandwell Council	£21,960,000
Black Country Local Enterprise Partnership	£5,000,000
Sport England	£2,000,000
Sandwell Leisure Trust	£540,000
University of Wolverhampton	£100,000
Birmingham 2022 Commonwealth Games budget (capital works)	£32,895,410
Contingency (shared 50:50 Sandwell Council and Games budget)	£13,158,164
Sub-total	£75,653,574
Birmingham 2022 Commonwealth Games budget (temporary works)	£639,798

2.8 Sandwell Aquatic Centre was subsequently delivered on 19th April 2022 upon which point a programme of preparatory activities were undertaken to prepare for the games.

2.9 The funding package outlined above, and agreed by SMBC Cabinet, was based on contributions from a number of delivery partners. Most contributions were ratified with a formal funding agreement and have subsequently been received. However, the proposed funding contribution from Sandwell Leisure Trust (£0.54m) was never legally formalised and, upon termination of the MFA between SMBC and SLT (as operator) in 2022, SLT notified the Council that the previously committed funding would be withdrawn, citing '*SLT's commitment to provide financial support was on the basis that it would operate the facility, and it would not be reasonable for the Council to expect SLT to*



provide such financial support in circumstances where SLT will not be the operator.’.

- 2.10 SAC PMO have confirmed with SMBC Finance that the SLT contribution is the only outstanding funding commitment.
- 2.11 The commitment of this contribution from SLT exists in the form of a letter dated 05/12/17 from the then Chief Executive Officer, addressed to the former Project Director of SAC.
- 2.12 Due to the fact that this was never legally formalised through a funding agreement, SMBC have no legal recourse to recover this contribution. SMBC have recently received confirmation of this from the Council’s external legal advisory group.
- 2.13 It is understood that the relationship between SMBC and SLT has improved significantly over the intervening period and SLT’s operator contract will now continue until 2027.
- 2.14 A formal approach to SLT has been made requesting all or part of the originally proposed contribution on the basis that they will now be the operator of SAC, subject to confirmation of the extension.
- 2.15 On the 18th May 2023 SAC PMO were advised that the formal response from the Chair of Sandwell Leisure Trust’s Board is that the £540,000 contribution remains unavailable with no planned future provision at this stage.
- 2.16 Whilst the relationship with SLT has been reset and both parties are moving forward with a renewed sense of partnership, the Trust still remain under notice of termination and continue as an interim operator so would reasonably struggle to allocate their resources to this original agreed contribution.
- 2.17 As a result, without addressing this issue from existing reserves, SMBC do not have the funding to be able to meet current contractual commitments following the construction of SAC.



SAC Maintenance/Sinking Fund

- 2.18 The SAC was handed over for operational management under lease by SLT from Summer 2023 with the current repairing and maintenance responsibility to remain with the Council. As it stands, no dedicated budget has been allocated for both the ongoing maintenance requirements including servicing of equipment, alongside a clear lifecycle investment programme with existing approved budgets not able to accommodate the same. This represents a significant area of risk for the Council both financially and reputationally.
- 2.19 The Assets and Leisure Teams are currently compiling a joint report for Leadership Team/Cabinet providing a business case based on expected maintenance and lifecycle costs, with options for how this could be successfully managed moving forward via a sinking fund.
- 2.20 It is proposed that this report be presented to Leadership Team in October 2023. Subject to the preliminary findings/proposals, it may require a further distinct Cabinet decision.

Business Rate Liability

- 2.21 Business rates are liable on the aquatic centre from the period 19th April 2022 (coinciding with completion of phase one)- 10th August 2022 (coinciding with the conclusion of the CWG and when SAC went back into an ‘under refurbishment’ status for the commencement of the legacy build phase).
- 2.22 Accounting for all relevant rate relief, the outstanding balance is £0.151m.
- 2.23 This cost was never identified as part of the project business case developed historically (2018/19), in part due to the short timescales associated with development of SAC for the Commonwealth Games.
- 2.24 It is proposed that the business rates be met using the following funding streams:

Fund	Cost
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SAC Project Management Office underspend	£0.076m
Capital Project Support Reserve	£0.075m

3 How does this deliver objectives of the Corporate Plan?

	The Best Start in Life for Children and Young People- SAC has, and will continue, to provide a facility for young people in Sandwell to engage in physical activity.
	People Live Well and Age Well- SAC delivers significant long-term health outcomes from the residents of Sandwell.
	Strong Resilient Communities- SAC does not only act as a leisure facility, it is also a meeting place, a park, a play area and a location for service provision across directorates such as Public Health and Leisure. These activities collectively drive resilience in our communities.
	A Strong and Inclusive Economy- Over 40no. new FTE jobs have been created as a result of the delivery of SAC. Over half of these new roles have been filled by Sandwell residents. SAC will continue to be a key economic asset for the borough providing jobs for residents.
	A Connected and Accessible Sandwell- SAC has delivered much improved connectivity for this area of Smethwick and the surrounding highways improvements allow for improved movement through the wider transport network with a key focus on active travel and pedestrian prioritisation.

4 Context and Key Issues

Sandwell Aquatic Centre

4.1 Sandwell Aquatic Centre was developed as a) the host venue for all aquatic activity at the B2022 Commonwealth Games and b) a new leisure centre for residents, allowing SMBC to condense other outdated local provision. The project delivered:

4.2 Phase 1 – delivered on 19th April 2022



To deliver a modified building on time to host the swimming, para swimming and diving events for the Commonwealth Games 2022. Facilities delivered in this phase include:

- 50m 10 lane competition swimming pool
- Temporary 50m 6 lane training pool for CG2022 only
- Competition diving structure with dive boards at 3m, 5m, 7m and 10m
- 5m deep diving pool
- Changing and shower facilities
- Dry diving centre with trampolines, cameras and screens
- 1,000 permanent seats and 4,000 temporary seats for CG2022
- Open Plan rooms on first floor for various uses during CG2022
- Lobby and Reception Desk
- Pool Filtration Plant

4.3 Phase 2 – delivered by 22 July 2022

To transfer facility to the Organising Committee to host the CG2022 Aquatics events from 28 July to 9 August 2022.

To facilitate the ‘fit out’ of the interior of the Aquatics Centre by the OC contractor to make the SAC Games Ready.

To receive the facility back from the OC after the OC contractor has decommissioned all temporary structures for Games use.

4.4 Phase 3 – Legacy Build – Delivered 6th July 2023

To deliver the post Games legacy facilities for residents of Sandwell Metropolitan Borough Council including:

- a community swimming pool size (20m x 10m)
- three 150sqm activity studios
- two 4-court sports halls (690sqm each)
- 108-station fitness gym
- 25-station ladies-only fitness gym
- A 33-station indoor cycling studio



- changing village for up to 600
- sauna/steam room
- new outdoor football pitch and changing facilities
- new urban park and children’s play area
- parking for up to 300 vehicles
- and a café (post construction specialist fit out).

5 Alternative Options

- 5.1 Do nothing- the financial liabilities outlined in section 2 cannot be avoided without significant risk of legal action being brought against the Council by the contractor given that SMBC have already contractually committed to these costs. Legal action will add costs to those outlined above and severely damage our reputation in the construction market.
- 5.2 The £540,000 may still be recoverable, in full or in part, from SLT upon formal extension of their contract. There is informal expectation that SLT may be more favourable at the point in which this has been formalised. Open book accounting arrangements with SLT have been agreed and any surpluses will be returned to SMBC each year which may provide some mitigation towards the shortfall.
- 5.3 Failure to obtain from SLT, subsidy will be required. This could either come from Prudential Borrowing or uncommitted capital receipts, subject to availability. The current Capital Programme could also be reviewed to identify any schemes which could be de-prioritised to free up resources or any projects which are forecasting an underspend.

6 Implications

Resources:	No additional funding or contingency remains within the project budget and therefore the Council will be required to commit resources outlined in sections 1.1, 1.2.
Legal and Governance:	Failure to meet the Council’s commitments as part of the project delivery will leave SMBC in breach of our contract and open to litigation.
Risk:	There is financial and reputational risk to the Council if SMBC cannot meet it’s contractual commitments.
Equality:	No implication.



Health and Wellbeing:	SAC delivers significant health and wellbeing outcomes.
Social Value:	A full social value plan was produced and successfully implemented for SAC.
Climate Change:	No implication.
Corporate Parenting	No implications.

7. Appendices

None

8. Background Papers

None

