

Bolton Council

Report to: Corporate Issues Scrutiny Committee

Date: 9th October 2006

Report of: Director of Corporate Resources

Report No:

Contact Officer: S. M. Arnfield

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Report Title: **Bolton Arena**

Purpose:

To outline for the Scrutiny Committee the financial background and current situation regarding the Bolton Arena.

Decision:

That the report be noted.

Background Doc(s):

1. INFORMATION

The Chair and Vice Chair of Corporate Issues Scrutiny Committee have requested a report providing information on the original funding of the Arena and the current financial support provided by the Council.

2. ORIGINAL COST OF FUNDING

The Arena was one of the major developments within the overall Middlebrook Complex and was designed as a regional centre for tennis but also provided a range of other sporting facilities for more local and community use.

The original cost of the scheme was £15.2M. The capital costs were funded mainly via the Lottery but also by contributions from the Lawn Tennis Association (LTA) and Bolton Wanderers.

It was always the intention that the Arena would be run by a Trust who would manage the facilities and seek to develop its usage by communities across the Borough. This also includes use by schools as part of their curriculum and to develop the Healthy Living agenda. The original revenue business case included an assumption that sponsorship could be achieved for the overall naming of the Arena and that this would bring in approximately £1M over the first 5 years. This funding was particularly important in order to meet the Arena's set up cost and to cover operating costs whilst the revenue streams of the Arena were being developed. Unfortunately at the last minute Sport England who were providing the Lottery funding decided, against previous agreements, that they would not allow sponsorship of the Arena's name (this all arose because of issues around sponsorship relating to the new Wembley Stadium).

As a consequence there was a shortfall in the revenue required by the Arena during the first 5 years of operation. The Council held negotiations with Sport England in order to mitigate this loss and achieved some additional funding. On this basis the Council agreed to underwrite the shortfall in the Arena's revenue operation by providing this £1M over the first 5 years.

At the time it was hoped that the Arena would significantly exceed its income projections and therefore the funding was provided by way of a loan. However, it was also understood that the Arena may not be in a position to repay this loan and therefore provision was made for the Council to write-off the loan if the high levels of income were not achieved by the Arena. This situation has proved to be the case and, therefore, effectively the Council has provided the £1M shortfall to the Arena.

3. ONGOING SITUATION

The Arena approached the Council over its core revenue funding 2 years ago because of shortfalls that were arising as a result of the withdrawal of sponsorship for the Arena by the LTA. The LTA had originally committed to develop a Regional Tennis Academy but due to a restructure within the LTA decided to re-organise how it would provide such facilities.

During the first few years the Arena had also significantly developed its activities to support schools and the broader Education and Healthy Living agendas. On the basis of this activity and the withdrawal of the LTA support, the Council agreed to make a contribution to the Arena's revenue funding of £100,000 per annum. This situation continues on an annual basis.

4. DEVELOPMENTS AT THE ARENA

The Council has provided a range of "loans" to the Arena to help it change and develop facilities. Some of this has arisen because of the reduced usage for tennis following the withdrawal of the LTA support. Other elements have arisen due to changing public demands for leisure facilities and in order to secure future income streams to the Arena.

A report was submitted to the Executive Member for Corporate Strategy and Finance on the 9th August 2006, agreeing the last loan for capital works and a copy of this is attached for information.

All these loans have been given on the basis that there is a business case which provides additional income generation to the Arena to enable it to fully offset its costs, including loan repayments. To date all the improvements made to the Arena's facilities have generated income either in line with or higher than projected in the business case.

This is an appropriate way for development to take place at the Arena as ultimately the building is owned by the Council. It is therefore more appropriate for the Council to undertake the work to see the funding being met by contributions from the Arena.