
Redevelopment of Dunstable Leisure Centre and Library

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This report relates to a Key Issue

Purpose of this report

1. To receive an update on the redevelopment of Dunstable Leisure Centre and Library and to seek approval for additional capital expenditure.

RECOMMENDATIONS

The Executive is asked to:

1. **recommend to Council to allocate an additional £3.519m to implement the redevelopment of Dunstable Leisure Centre and Library in accordance with the revised option 7. (Note: this additional expenditure is included within the Capital Programme being recommended to Council elsewhere on this Agenda.)**
2. **ensure officers actively seek to meet the additional £ 3.519 m requirement through new sources of funding or from within the existing capital budget in order to create no net increase in capital requirements during the period of the plan.**

Overview and Scrutiny Comments/Recommendations

2. The refurbishment of Dunstable Leisure Centre is a key priority of the Leisure Facilities Strategy, and following a feasibility study, Overview and Scrutiny in January 2015 considered the full range of options including undertaking initial limited essential works at a cost of £7.7m, through to an entirely new build option at a cost of £22.6m.

3. The Committee recommended to Executive on 10 February 2015 the inclusion of a budget to deliver the preferred option at a cost of £14.6m net, and the appropriate budget was approved by Council on 26 February 2015.
4. The recommended preferred option is a part new build/part refurbishment on the current leisure centre site and includes a new library, new health & fitness facilities, pool hall and changing environment whilst refurbishing the whole centre to modern day standards, and accommodation of other aligned services.
5. Off site, the project is a catalyst for the regeneration of Dunstable as it enables Vernon Place to become vacant following the closure of the library. Vernon Place library site would be disposed of and the capital receipt be used to support the financial cost of the project.

Background

6. The Leisure Facilities Strategy and Libraries Strategy provide direction for the prioritisation and delivery of these services, and direct the Council's capital investment proposals to meet the needs of customers. Investment to date made to modernise the leisure estate at Tiddenfoot, Saxon and Houghton Regis leisure centres has resulted in improvements in commercial viability, throughput and customer satisfaction, and the new leisure centre in Flitwick will double the accommodation currently on offer once open to the public in February 2016.
7. The rationale for the decision for the preferred option to redevelop Dunstable Leisure Centre and library under one roof at the Leisure Centre site includes;
 - a) The location of the leisure centre within Dunstable town centre adjacent to a range of education, retail, leisure, recreation and cultural services. It is easily accessed by public transport and has convenient car parking facilities.
 - b) The underlying fabric of the leisure centre building is fundamentally sound and with an appropriate level of investment, can offer the potential for future long term service delivery. There is capacity within the footprint for extension and/or improved internal layout.
 - c) Neither the leisure centre or library meet modern standards for service delivery, are not fit for purpose and require substantial refurbishment. Any library investment is otherwise unbudgeted for, and without any other approved plan for its future.

- d) Urgent work required at the leisure centre is estimated to cost £7.7m. The leisure centre roof failed in July 2015, causing temporary closure and ongoing loss of income claims to the Council from the leisure management operator. The main pool hall roof is leaking and is currently netted to mitigate any potential further failure of the roof, and this is giving customers cause for concern and lack of confidence in the service, putting pressure on the commercial operation of the building.
 - e) A budget of £7.7m will not modernise the whole leisure centre. Further investment to the customer-facing environment at the leisure centre and library would be required at a later date to prevent future service decline and meet the shortfall in health and fitness equipment identified in the Leisure Facilities Strategy.
 - f) The leisure centre and library service offer opportunities to support a broader public health agenda via the promotion and provision of health and wellbeing services, active lifestyles and positive lifestyle choices.
 - g) The future of library new builds and service models are in co-located settings with benefits for customers and residents of extended opening hours and choice in how they receive services. Co-location of services offers further savings for customers and tax payers on utilities, repairs and maintenance and ongoing investment in an otherwise redundant building.
8. Executive on 4 August 2015 received an update on the project agreed in February and gave permission to proceed with the procurement of a building contractor.
9. In preparation for procurement of a building contractor, a review of the project budget in the autumn of 2015 concluded that a gross budget of £15.6m (£14.6m net) would be insufficient to deliver the recommended scheme mainly due to a revised cost of construction.

Options

10. This led to two further options being considered;
- Option 6 at a gross cost of £18m which attempts to reconcile the scope of the project with the approved budget, and
 - Option 7, at a gross cost of £20.1m which enables the implementation of broader corporate objectives on and off site, and provides shared community space within the leisure/library building.

11. Option 6 includes;
 - a) a phased approach to implementation so that key new build elements for leisure and library services would be delivered in a first phase (new library, health and fitness facilities, and pool hall environment, café, reception) followed by the remaining building refurbishment of the sports hall roof and air handling once additional funding had been secured, likely to be at a later date, and within a different building contract;
 - b) a reduced scale of accommodation in the library and health and fitness space, limiting the opportunity for future proofing the building or accommodating any other services;
 - c) the creation of an estimated 850m² development site on the current leisure centre footprint, to be developed at a later time; and
 - d) the creation of an additional 'off site' development site because the external artificial pitch is surplus to the requirements at this site, subject to a suitable alternative location for the pitch being provided.
12. The gross project cost for Option 6 is approximately £18m to undertake the entire works, split approximately £16.5m for the first phase, and £1.5m for the later phase .
13. Option 7, includes;
 - a) A leisure and library centre building, which can accommodate a future development on the 850m² development site enabling it to be linked to the leisure centre, or be standalone.
 - b) Implementation of the whole leisure/library scheme in one phase, avoiding the costs and service disruption created by a phased approach. The new build element and level of works to the old building will transform the space and connect seamlessly together.
 - c) The internal space and arrangement of the new build elements of the library, gym and dance studios enable shared community space which provide flexibility in the facility mix for a diverse offer and future opportunities. It provides commercial opportunities, and opportunities to reduce service costs and accommodation elsewhere.
 - d) In addition there are opportunities for the 850m² development space which could help drive further value from the site by reducing service costs and accommodation elsewhere.
14. The additional cost of £2.1 m for Option 7 compared to Option 6 relates to an overall increase in the scale of the new build element for leisure and library facilities to accommodate future expansion opportunities, and an adjacent development.

Summary

15. The initial least cost option to maintain a leisure service is £7.7m and responds to urgent and essential roof, mechanical and electrical works needed at the leisure centre. Failing this the leisure centre would close due to declining use and commercial viability. There are limitations to this option as an unmodernised and restricted health and fitness offer stifles any commercial opportunities through declining use. In this option the library remains at Vernon Place without a plan for its future, and capital costs of £0.863m (currently unbudgeted for) are estimated to keep the library building operational over the next 5 years. Both buildings will require further investment within the next 3-5 years if services are to remain open.
16. Option 6 at a gross cost of £18m (£16m net) delivers a new leisure and library service and two further development opportunities beyond the library plot, one on site of 850m², and the other at the artificial pitch site. However the scale and layout of accommodation limits flexibility and therefore the potential for future opportunities in leisure and library services and efficiencies from any wider service offer is stifled.
17. An entirely new build leisure and library building on the current leisure centre site or on the artificial pitch site is estimated to cost an estimated £23.2m. This was assessed at feasibility stage and has been assessed again as a cost comparison for Option 7.
18. Option 7 at a gross cost of £20.1m (£18.1m net) offers the most opportunity to deliver the original scope intended by the approval of a budget in February 2015, and designs in shared community space that a modern mixed use facility thrives on, enabling the public to access library, leisure and other aligned council, commercial and voluntary services within the same public building. This option therefore opens up possibilities to deliver a broader corporate agenda, create further opportunities for regeneration, and deliver efficiencies through reduced service costs and accommodation for other services.

Reason/s for decision

19. A recommendation to proceed with Option 7 is the most financially viable of all the options considered and ensures a future for leisure and library services in Dunstable. It also opens up possibilities to deliver a broader corporate agenda, create further opportunities for regeneration, and deliver efficiencies through reduced service costs and accommodation for other services.

Council Priorities

20. The implementation of the Leisure Facilities Strategy is a high level target in the Council's Medium Term Plan and supports the following Council priorities;
- Enhancing Central Bedfordshire – creating jobs, managing growth, and enabling businesses to grow.
 - Promoting health and wellbeing and protecting the vulnerable.
 - Great resident services –leisure and libraries.
 - Creating stronger communities
 - A more efficient and responsive Council.

Corporate Implications

21. Legal Implications

- a) The procurement process and contract award must comply with the Council's contract standing orders where applicable and be properly authorised in accordance with the Council's Constitution. The Council's Executive Arrangements and Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 confirm that key decisions must be taken by the Council's Executive.
- b) The Council is subject to the requirement to obtain best value in the procurement process because it is a best value authority for the purposes of the Local Government Act 1999. The act requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. To this end, the Council must be satisfied that its procurement process achieves best value in terms of price and quality.
- c) The procurement of a building contractor must comply with the requirements of the Public Contracts Regulations 2015 and, if the procurement is pursuant to a framework, the rules and requirements prescribed in the framework.
- d) The Council must also ensure that the procurement process complies with the EU Treaty principles of proportionality, equal treatment, transparency and mutual recognition. Compliance with procurement regulations and EU Treaty principles will ensure a robust process.
- e) The building contract should be based on a suitable industry standard contract and be approved by legal services. The contract should be completed to ensure the Council is sufficiently protected whilst maintaining commercial viability.

22. Financial Implications

23. A net budget of £14.6m has been approved for the redevelopment of Dunstable Leisure Centre and library as set out in the report to Overview and Scrutiny in January 2014 and to Executive in August 2015.

24. The table below shows the net cost of Option 7

Summary	option 7	
	£000	
gross cost	20,095	
sale of version place	(1,000)	
contr'n from HRN2	(1,000)	
	18,095	

25. The table below shows spend and budget requirements over the project lifespan.

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Expenditure	117	200	896	4,824	13,094	964	20,095
External Finance						(2,000)	(2,000)
Net		0	896	4,824	13,094	(1,036)	18,095

26. The table below shows the efficiencies, pressure and financing costs of Option 7.

MTFP		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
efficiencies / pressure						
SC18	Technical costs of Dunstable Leisure centre		300	(170)	(130)	0
SC519	repairs & maintenance				(66)	(66)
sub-total		0	300	(170)	(196)	(66)
SC374	income from Dunstable Leisure centre				(400)	(400)
Total efficiencies and pressures		0	300	(170)	(596)	(466)
Financing costs						
MRP						0
interest payable		3	39	169	153	364
Total financing costs		3	39	169	153	364
Total		3	339	(1)	(443)	(102)

27. Given the Council's commitment to reducing the capital programme the Council will review the options to reduce the effect of the additional £3.519k capital spend as set out below;
- Seek external funding through grants and contributions.
 - Use capital receipts from the development sites option 7 directly releases.
 - Identify capital schemes which can be reduced by the equivalent amount.
 - Over achievement of the target for capital income from sales.
28. A financial affordability assessment was undertaken by comparing the potential funding (the sum of prudential borrowing and capital receipts) against the capital cost of providing the facilities. The assumptions are that:
- a) A recommendation for an option will be approved at this Executive meeting on 9 February 2016 and work will commence immediately to avoid any further building inflation cost.
 - b) A capital receipt for the sale of Dunstable Library of £1m and £1m from HRN2 will be delivered and required in full to support the project.
 - c) Opportunities for further funding will be explored, including a grant from Sport England.
 - d) The likely potential change in revenue performance of the leisure centre is assessed (shown as an annual average over the first 10 years of operation) and is compared with the revenue performance of the existing facility over the 3 last years. The anticipated average change in annual net revenue operating position of the leisure centre following this redevelopment is in the MTFP and is £400k.
 - e) An improvement in annual revenue performance as a result of refurbishment (compared to current performance) will be used to offset part of the capital financing costs.

Risk Implications

29. The redevelopment of Dunstable Leisure Centre, as approved can not be implemented for £15.6m and a range of options have been considered. There are a number of risks;
- a) Council priorities; Investment in Dunstable Leisure Centre and Dunstable Library which improves and extends the Council's infrastructure directly helps deliver Great Universal Services and Promotes Health and Wellbeing.

- b) Reputational risks; Delivery of the approved Leisure Facilities Strategy and Library Strategy supports the Council's Medium Term Financial Plan.
- c) Risk to customer satisfaction: Investment in the Council's leisure facilities improves customer satisfaction at those facilities where investment is undertaken. The recent investment at Houghton Regis Leisure Centre and Tiddenfoot Leisure Centre where there has been a significant increase in membership demonstrates this well. Without expenditure the Council risks periodic closure which has a negative impact on customer satisfaction and confidence. The centre is already experiencing a reduction in utilisation with a corresponding pressure on its commercial performance.
- d) Financial Risks - Capital costs; The capital costs of the options are estimates based on benchmarked rates per m² and there is a risk that costs could increase as the project develops due to unknown or unforeseen factors. Alternatively, the actual costs could transpire to be lower than estimated. The capital receipt from Vernon Place library site is an estimate, and could be higher or lower, and may not be realised if the site is not sold. Building costs are increasing at approximately 6% at present and any further delays in procurement are likely to lead to further capital cost increases which will impact on the affordability of the scheme. Borrowing costs may also rise from historically low levels in the short to medium term. There is also a risk of failing to achieve the revenue projections anticipated from the refurbishment. In addition, any further scheme delay extends the annual costs of running the library from Vernon Place. Capital costs of £863,000 (currently unbudgeted for) are estimated to keep the library operational over the next 5 years.
- e) Financial risks - Repairs, maintenance and running costs; Vernon Place and the library cost £95k per annum (cleaning, grounds maintenance, utilities, minor repairs and maintenance, rates). The co-location of leisure and library services gives the Council the opportunity to limit its ongoing liability to maintain, operate and manage two separate buildings.
- f) Health and Safety; The leisure centre is already failing and has had periods of closure to undertake remedial repairs to the pool hall roof which is netted to mitigate any further failure. There is a risk that any further failure of the pool hall ceiling would result in permanent closure of the pool due to the failure of the pool tank tiling once the pool is emptied.
- g) The redevelopment will require a period of closure which will incur one off revenue costs for loss of income from the leisure management operator. It is likely that a phased approach to redevelopment would cause more disadvantages for customers in disruption to services, and temporary access and service arrangements.

A clear communication and marketing strategy will be required to mitigate the risk of any declining customer loyalty and to promote the benefits of the new facility.

Equalities Implications

30. Public authorities have a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
31. The improvements to the leisure and library facilities aim to enhance customer experience and promote equality of opportunity by providing civic space to accommodate a range of co-located services within a building which is accessible, and extending opening hours so that customers have more choice about when and how they access the services.

Public Health

32. Leisure and library facilities are key community health resources which provide safe civic space for people to take part in healthy and active lifestyles which support the Council's Health and Wellbeing Strategy. Implementation of the Leisure Facilities Strategy and Libraries Strategy ensures there is a sustainable and high quality infrastructure for local communities to access services and engage in regular physical activity to help prevent ill health, generate long term improvements in overall levels of health and wellbeing and thereby reducing the costs to society, particularly for the NHS and social care.

Community Safety

33. Under section 17 of the Crime and Disorder Act 1998 the Council has a statutory duty to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder within its areas. Leisure and library facilities and the activities that they offer provide positive opportunities, particularly to young people, who may otherwise engage in activities that may be criminal or anti-social.

Sustainability

34. Extending and improving opportunities that increase the number of people accessing library service and participating in sport and physical activity through a network of good quality, accessible and readily available facilities reduces the need for customers to travel to other local authority areas to participate in these activities.

35. Maintaining Leisure Centres and libraries at a local level are significant contributors to the Council's carbon footprint (12%) and improving energy consumption/efficiency (which also has benefits in terms of lower running costs) through refurbishment and redevelopment is a key objective.

Procurement

36. The Procurement Strategy for Dunstable Leisure Centre has been developed in consultation with the Chief Procurement officer. It has considered the options available for the procurement of redevelopment of Dunstable Leisure Centre, the various commercial approaches to pricing and whether to procure the project via a framework; or use the OJEU procedure.
37. The broad purpose of contract procurement is to appoint an appropriately skilled contractor, with the right team, agreed costs, programme and appropriate transfer of risk. A structured and systematic approach is required in order to select the most suitable option for Dunstable Leisure Centre.
38. A number of procurement routes have been considered and a 2 stage design and build approach is considered to be the most suitable option for this project, procured via a framework.

Implications for Work Programming

39. None

Conclusion and next Steps

40. There are a number of options for the redevelopment of leisure and library services in Dunstable to be considered, of which Option 7 offers the most commercially viable leisure and library services and offers the most possibilities for delivering broader corporate objectives on and off site.
41. The following is a draft timetable for Option 7. Key stages include the following, with some stages running concurrently;
- Main building contractor procurement commence March 2016
 - Pre planning stakeholder engagement April 2016
 - Design development from May 2015
 - Planning application submitted September 2016 for approval December 2016
 - Construction period May 2017 – October 2018

42. In order to progress the redevelopment project the next step is to prepare for the procurement of a main contractor to undertake the construction work to redevelop the building. As set out in the procurement section of this report, following consultation with the Chief Procurement Officer it is recommended to undertake a two stage design and build procurement route, using the Southern Construction Framework to procure the main contractor.

Appendices

None