

Central Bedfordshire Council

SUSTAINABLE COMMUNITIES OVERVIEW AND SCRUTINY 22 JANUARY 2014

IMPLEMENTATION OF THE LEISURE FACILITIES STRATEGY, INCLUDING PROGRESS ON DUNSTABLE LEISURE CENTRE FEASIBILITY STUDY and RECOMMENDED OPTION FOR IMPLEMENTATION.

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Purpose of this report

1. A report on implementation of the Leisure Facilities Strategy, including the feasibility study on the options for refurbishment of Dunstable Leisure Centre.

RECOMMENDATIONS

The Committee is asked to:

1. **Acknowledge progress to date in delivering the Council's Leisure Facilities Strategy and capital programme.**
2. **Comment on the recommended Option 4 for the refurbishment of the Dunstable Leisure Centre prior to the Executive Committee's considerations of the budget on 10 February 2015.**

Background

2. 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. Significant investment has been made to implement each of these strategies, and the leisure programme has progressed significantly since the previous progress report to Overview and Scrutiny in October 2013, as follows;
 - a) Tiddenfoot Leisure Centre - £1.3m refurbishment and expansion for fitness, a reception and café, completed in October 2014.

- b) Saxon Pool and Leisure Centre - £1.7m extension for sports hall, car park expansion and reception area refurbishment, currently being constructed for completion in January 2015.
- c) Houghton Regis Leisure Centre – the leisure management contract was awarded to a new provider in April 2014 and the pool was reopened in July 2014 with £0.3m refurbishment of the swimming pool changing rooms completed in November 2014.
- d) Flitwick Leisure Centre Phase 1, football facilities - £1.2m for playing pitches and changing pavilion opened in October 2014.
- e) Flitwick Leisure Centre redevelopment – £14.75m gross expenditure which started on site in November 2014 for delivery in early 2016. There is £4.5m anticipated capital contribution towards this schemes including £2.0m Sport England grant to be drawn down from October 2015, and the existing leisure centre site land sale, currently valued at £2.5m to be marketed in 2015.
- f) Dunstable Leisure Centre - the Leisure Facilities Strategy identifies the need for refurbishment and an increase in health and fitness equipment to meet the needs of the current and future population growth. A feasibility study has been undertaken to assess its potential for refurbishment.

Dunstable Leisure Centre – scope of feasibility study

- 3. The scope of the feasibility study has been to assess the options for the facility to meet the requirement of the Leisure Facilities Strategy and assess the potential for the centre to offer a range of leisure, library and other public services. The rationale for this includes;
 - a) Dunstable Leisure Centre is well located 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) There is capacity within the footprint for extension and/or improved internal layout.
 - c) The Council has a library which operates close to the leisure centre from a building which requires substantial investment, currently unbudgeted for, and with no current approved plan for its future.
 - d) The leisure centre and library are important services of great value to our customers and 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.
 - e) New library and leisure services are co-located and bring benefits for both services. Any opportunities for greater alignment to improve our

customers experience, deliver broader outcomes and reduce costs should be explored.

Methodology

4. The feasibility study assessed;
 - a) The condition of Dunstable Leisure Centre and its potential for long term future use
 - b) Latent demand for health and fitness facilities
 - c) Improvement in revenue performance - how much income the facility could be expected to generate compared to the current facility
 - d) Initial design option proposals
 - e) Outline cost estimates for each option
 - f) Project delivery strategy including procurement strategy, design development, consultation, cost management, risk management and delivery programme
 - g) Previous feasibility studies undertaken on Vernon Place Library
 - h) Other co-located leisure and library facilities, their design and impact on customer use and satisfaction.

Options summary

5. Five options have been explored to assess the potential for Dunstable Leisure Centre;

| Option | Scope | Impact | Estimated gross cost |
|--------|---|--|----------------------|
| 1 | Roof replacement and mechanical and electrical renewals to the leisure centre. Essential repairs and maintenance to the library. | Essential building repair to keep the leisure and library facilities operational and available to the public. No visual improvement for customers. Library remains at Vernon Place. | £4,939,920 |
| 2 | Option 1 plus swimming pool, sports hall and fitness changing room refurbishment. Light touch refresh to internal wall finishes | Option 1 plus Modernised changing facilities across wet and dry side changing. Deals with poor drainage, unpleasant changing environment and layout which impacts negatively on customer experience. | £7,704,150 |

| | | | |
|---|---|--|-------------|
| | | Necessary to retain customers and prevent service decline. Library remains at Vernon Place | |
| 3 | Option 2 plus internal layout reconfiguration to partially meet demand for health and fitness, and accommodates library services within existing leisure centre footprint. Facility mix remains compromised in terms of layout limiting potential for income from leisure services and any future expansion. | Option 2 plus Health and fitness increase from 60 to 80 stations, but no further expansion potential beyond this. New replacement library equivalent to current provision. Footprint of the building remains the same so there is limited potential for co-location of other services and community hub offer. | £11,037,330 |
| 4 | Alternative to option 3 with the addition of an extension to enable additional capacity in future. Maximises internal facility mix and layout giving the best opportunity for optimum service delivery. | Alternative to option 3 plus extends Health and fitness from 80 to 100+ stations with space for further expansion Gives impression of a new building with entirely new entrance and roadside views of what is being offered inside the building. Offers the most for co-location of services for leisure, library, day care, public health and other aligned services. Gives flexibility for future service provision from this location. | £15,575,700 |
| 5 | New build – cost comparison to refurbishment. | Replacement of facilities in Options 4 to compare cost against refurbishment. | £22,615,300 |

Key Findings

6. Dunstable Leisure Centre, built in 1974 is aging but the underlying fabric of the building is fundamentally sound and with an appropriate level of investment, it can offer the potential for future long term service delivery.
7. Neither the leisure centre or library meet modern standards for service delivery, are not fit for purpose and require substantial refurbishment to both electrical and mechanical plant and the customer facing environment to bring them up to modern standards.
8. The leisure centre roof is already failing, causing closures and loss of income claims to the Council from the leisure management operator, and the air handling in the pool hall is not working properly. The main pool hall roof is currently netted to mitigate any potential failure of the

roof, and this is giving customers cause for concern and lack of confidence in the service.

9. Options 1 and 2 deliver essential repairs and improvements over the next five years at both the leisure centre and the library. These are standstill options which maintain services at the current level and offer no significant improvement for the customer.
10. 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.
11. Option 3 uses the existing footprint of the leisure centre to accommodate a partial shortfall in health and fitness equipment and provides a co-location opportunity for the leisure and library. The building will appear new in parts, but will largely resemble the existing facility in its appearance and in the way customers use the leisure facilities.
12. The internal layout of the building is reconfigured to accommodate the library and extend health and fitness but still limits the potential for income from any future expansion of leisure facilities and visibility of the service offer from the roadside is limited.
13. Option 4 gives the impression of a new building from the outside and the level of refurbishment and reconfiguration inside the building would make it feel like a new building.
14. The external appearance is improved and the service offer is clearly visible from the road, helping to support a marketing strategy for the centre.
15. It maximises the potential for health and fitness services and any future expansion, and provides flexibility in the facility mix for a diverse offer.
16. It provides the most cost effective option due to the potential for additional income from health and fitness.
17. It gives an opportunity to consider accommodating other aligned services to create a one stop shop offer. A number of examples of the successful co location of leisure, library, day care and other public health services exist including facilities at Peterborough, Chesterfield and Sutton. All have seen sustained increases in footfall.
18. Option 5 (new build) is considered so that there is a comparison with the cost of refurbishment. It does present benefits but would require significant additional investment for the comparatively small additional benefit provided, and does not offer further service advantage over Options 3 or 4.

Conclusion.

19. The leisure centre and library need investment urgently but in planning for refurbishment there are opportunities to deliver the Council's wider priorities. The preferred option 4 for refurbishment of Dunstable Leisure Centre does this in a number of ways;
20. Ambitious investment which makes a step change in our public service offer demonstrates that the Council understands the value and contribution great universal services can make to Dunstable being a great place to live and work.
21. It is a signal to our commercial partners and the wider market of our confidence and ambition for the town, and vacating the library site would provide a catalyst for further regeneration.
22. Consolidating leisure, library and other adult day care and public health services alongside the BBC, theatre, education and high quality open space would create opportunities for promoting our cultural service offer and brand.
23. The future of library new builds and service models are in co-located settings with benefits for customers and tax payers of extended opening hours and choice in how they receive services.
24. 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.
25. The sale of Vernon Place for redevelopment could provide a capital contribution towards the cost of refurbishment thereby reducing the extent of capital borrowing. Its sale value is estimated to be £1.0m.
26. Options 4 and 5 offer the greatest potential for maximising income from the facility.
27. Housing the library within the leisure centre offers opportunities to support other important education and employment services in the range of support and advice that space can provide, such as loaning or accessing technical and practical skills and testing new business ideas.

Council Priorities

28. The implementation of the Leisure Facilities Strategy is a high level target in 'Delivering Your Priorities' within 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 universal services –leisure.

Financial Implications

29. The Leisure Facilities Strategy guides investment priorities including CBC capital investment.

30. A feasibility study has been undertaken to consider options for the refurbishment of Dunstable Leisure Centre. A total of 5 options have been developed to assess the optimum mix of facilities. The study includes consideration of re-locating Dunstable Library within the leisure centre building; Options 1 and 2 retain Dunstable Library at its current location at Vernon Place, and Options 3-5 inclusive include the re-provision of the library service at Dunstable Leisure Centre. Option 5 is a new build and is included as a cost comparison to the refurbishment options.

Assessment of Capital Cost

31. An assessment of the capital costs required to refurbish the leisure centre and the library has been undertaken. Options 1 and 2 only include minimum essential building repairs required over the next 5 years to keep each building operational. Costs for Options 3-5 include all associated building costs, fixtures, fittings and equipment, professional fees (including those costs incurred to date on feasibility) survey costs, and appropriate contingencies. Table A below summarises the cost of each option.

Table A Summary of Costs for each option.

| | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 |
|---------------------------|------------|------------|--------------|--------------|--------------|
| Gross Capital Cost | £4,939,920 | £7,704,150 | £11,037,330 | £15,575,700 | £22,615,300 |
| Estimated capital receipt | - | - | (£1,000,000) | (£1,000,000) | (£1,000,000) |
| Net Capital Costs | £4,939,920 | £7,704,150 | £10,037,330 | £14,575,700 | £21,615,300 |

Assessment of Revenue Impact

32. The methodology undertaken to assess the revenue impact of the 5 options has involved assessing the level of latent demand for health and fitness facilities within the catchment of Dunstable Leisure Centre. The level of latent demand is assessed by considering population size and demographics, market penetration, and competition.

33. The likely potential change in revenue performance of the leisure centre is assessed (shown in the table below 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. Table B below shows the anticipated change in net operating position of each option.

Table B Change in annual net operating position of each option

| | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 |
|---|----------|-----------|------------|------------|------------|
| Change in annual net revenue operating position of the leisure centre | £48,203 | (£48,203) | (£257,849) | (£467,805) | (£507,721) |

Assessment of Affordability

34. 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 capital receipt for the sale of Dunstable Library of £1m will be delivered and required in full to support the project in respect of options 3, 4 and 5.
- b) Capital borrowing used by the Council at this stage is based on a 25 year loan term at an interest rate of 3.94% plus allowance for a Minimum Revenue Provision (MRP) principal repayment. The borrowing costs, based on the projected interest rates and MRP mean that revenue of £79,400 is required to support each £1m borrowed.

35. An improvement in annual revenue performance as a result of refurbishment (compared to current performance) could be used to fund a proportion of the capital repayments via prudential borrowing. Using borrowing calculations supplied by the Council's finance team the additional borrowing potential has been estimated, i.e. how much capital can be financed using the improved annual revenue position.

36. It should be noted that the revenue income used to pay for prudential borrowing will not be received until after the total capital expenditure has been made in 2017/18, and that once the operation of the facility commences, income is profiled to reflect how the centre operation develops to its maximum potential during and after the third year of operation.

Table C Capital borrowing afforded by each option.

| Option | Net Capital cost | Change in net revenue operating position of the leisure centre | Capital borrowing that could be supported by the improved annual revenue performance |
|--------|------------------|--|--|
| 1 | £4,939,920 | £48,203 | nil |
| 2 | £7,704,150 | (£48,203) | £607,086 |
| 3 | £10,037,330 | (£257,849) | £3,247,488 |
| 4 | £14,575,700 | (£467,805) | £5,891,749 |
| 5 | £21,615,300 | (£507,721) | £6,394,466 |

Table D Net revenue impact of borrowing for each option.

| | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|
| Revenue Improvement | £48,203 | (£48,203) | (£257,849) | (£467,805) | (£507,721) |
| Revenue Impact of Net Capital Expenditure (the cost of borrowing)* | £392,230 | £611,710 | £796,964 | £1,157,311 | £1,716,255 |
| Net annual Revenue Impact | £440,433 | £563,507 | £539,115 | £689,506 | £1,208,534 |

* £79,400 revenue impact per £1m multiplied by estimated net capital cost

Table E Budget profile of expenditure for recommended Option 4

| 2014/15 Forecast Expenditure £000's | Proposed Slippage from 2014/15 into 2015/16 £000's | 2015/16 £000's | 2016/17 £000's | 2017/18 £000's | Total net scheme costs £000's |
|-------------------------------------|--|----------------|----------------|----------------------------------|-------------------------------|
| 272 | 1,228 | 613 | 12,863 | (400) (net of land sale receipt) | 14,576 |

Legal Implications.

37. Options 3, 4 and 5 have a number of legal implications including reviewing the management contract lease arrangements at the leisure centre as internal space is reconfigured, and the contractual arrangements associated with any procurements for professional advisors and construction.

Equalities Implications

38. 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. The improvements to the leisure and library facilities aim to enhance customer experience and promote equality of opportunity.

Risk Management

39. A number of risks have been considered and are considered in more detail below;
 - 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 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.
 - d) Financial Risks; The capital costs of these 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 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 delays in procurement are likely to lead to 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 slippage extends the annual costs of running the library from Vernon Place.

- e) 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.
- f) Repairs, maintenance and running costs; Vernon Place and the library cost £95k per annum (cleaning, grounds maintenance, utilities, minor repairs and maintenance, rates), and capital costs of £863,000 (currently unbudgeted for) are estimated to keep the library operational over the next 5 years. 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.
- g) Approach to feasibility; the appointment of external professional consultants to undertake a feasibility study has ensured that the Council has independently tested the optimum facility mix, cost, affordability, programme delivery, procurement strategy, design development and risk management. The appointed consultants team has a successful track record of undertaking feasibility assessments and delivering capital schemes on time and to budget. The methodology undertaken to assess the viability of the facility mix at Dunstable Leisure Centre has been robust and comprehensive and prudent and conservative assumptions about the level of demand, predicted income, capital costs and capital receipt have been used
- h) Any refurbishment will require periods of closure which will incur costs for loss of income from the leisure management operator, and consideration of how customers could be accommodated at other facilities. It is likely that a series of temporary closures 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.

Public Health

40. Leisure and library facilities are a key community health resources. The evidence for increasing physical activity is compelling and there is a wealth of information and research that supports this. Implementation of the Leisure Facilities Strategy ensures there is a sustainable and high quality sport and physical activity infrastructure for local communities to 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

41. Under section 17 of the Crime and Disorder Act the Council has a statutory duty to do all that is reasonable 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

42. Extending and improving opportunities that increase the number of people accessing and participating in sport and physical activity through a network of good quality, accessible and readily available public sport and recreation facilities reduces the need for customers to travel to other local authority areas to participate in these activities.
43. 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

44. For Dunstable Leisure Centre, the feasibility study has recommended a two-stage Design and Build procurement route, which strikes the best balance between cost, risk transfer and programme delivery. The contractor would be procured via OJEU Restricted Procedures.

Next steps

45. The next steps are for Executive to consider the overall budget including a capital sum to implement Option 4 for the refurbishment of Dunstable Leisure Centre and library.

Appendices

None

Background Papers

46. The following background papers, not previously available to the public, were taken into account and are available on the Council's website:

None