

## **POLICY & FINANCE COMMITTEE**

**28 JUNE 2018**

### **REVIEW OF LEISURE CENTRE PROVISION**

#### **1.0 Purpose of Report**

- 1.1 To inform Committee Members of the progress made in considering the options available for improving and sustaining leisure centre provision in Sherwood. Members are asked to consider the contents of this report and the advice provided by the Council's Section 151 Officer in order to reach a decision on whether to progress this project, at this point in time. In addition, a recommendation is made to purchase land under delegated powers to enable opportunities for a leisure hub light model to be explored in the future.

#### **2.0 Background Information**

- 2.1 Newark & Sherwood District Council has made significant changes over recent years to the scope of its leisure centre services and in terms of how they are delivered.
- 2.2 The Council created a wholly-owned leisure company, Active4Today, in 2015, to deliver its leisure centre operations at the Grove Leisure Centre in Newark, Blidworth Community Leisure Centre and the Dukeries Leisure Centre in Ollerton. The Company also provides strategic management services to support the delivery of the Southwell Leisure Centre Trust.
- 2.3 In 2016, the Council opened the Newark Sports and Fitness Centre (NSFC) to replace the Grove, in recognition of the fact that the Grove was passed its useful life and was unable due to its limited size to cope with demand from customers. The changes have delivered significant savings, reducing the cost of the services from £1,271,365 in 2011/12 to £117,000 in 2017/18 – a reduction of 91%. The number of people partaking in physical activity has also improved. In terms of adults, the number of members was 2,562 in January 2016 and with the opening of NSFC in April 2016, the membership base increased to 4,302 in December 2017.
- 2.4 Officers were therefore tasked with undertaking a review of the options available to improve and sustain leisure centre provision in Sherwood.

#### **3.0 Project Objectives**

- 3.1 The aims of this review are aligned to those used when appraising options for leisure centre provision in Newark which led to the development of the NSFC:
- To undertake an options appraisal of leisure centre facilities in Sherwood, with the aim of increasing regular participation in exercise and provide encouragement for sporting participation
  - Support the achievement of better health and wellbeing outcomes for the community, particularly but not exclusively in helping to tackle increasing levels of obesity
  - Support recovery from illnesses and conditions which are life-threatening or are likely to reduce longevity, by providing appropriate opportunities to incorporate exercise in the recovery programmes
  - Help overcome barriers to accessing leisure opportunities by providing welcoming, affordable and varied activities and facilities

- Further reduce the revenue costs of leisure, recognising the non-statutory nature of the service and the financial challenges that the Council continues to operate within.

#### **4.0 Options**

- 4.1 The options appraisal and market analysis (completed in February 2018) are attached at **Appendices A & B**. They take into consideration the wider strategic developments and master planning taking place in Ollerton and Boughton to address a range of needs. A separate report was considered by Members of the Leisure and Environment Committee on 20 March 2018, which provided an overview of these strategic projects.

The three options considered in the options appraisal attached are:

- **Option 1:** Stay the same - continue with fragmented offer in sherwood. This option has no financial implications and does not deliver the project objectives.
- **Option 2:** New Leisure Centre provision on land immediately in front of the Dukeries. The estimated total cost of building a new Leisure Centre is just over £13m. This is not considered to be affordable and does not provide the best value for money solution for the community.
- **Option 3:** Dukeries improvement scheme and pool hall new build, at an estimated cost of £7.9m.

#### **5.0 Proposals**

- 5.1 As concluded in the attached options appraisal, it is proposed that a detailed business case be developed for **Option 3: Dukeries improvement scheme and pool hall new build** to be brought back to Members, which will include detailed cost plans and architect drawings to RIBA stage D. Option 3 was considered to be the best of the three options as it would make best use of an existing asset owned by the Council providing fit for purpose dry side facilities, address circulation and car parking issues whilst also providing a new pool hall, with new fun elements and a soft play area for children.
- 5.2 Positive meetings have been held with partners who have an interest in the site; Notts County Council, the Dukeries Academy and Notts Fire and Rescue. All partners are supportive with what the Council would be looking to achieve through the proposed Option 3 and wider vision for improving outdoor sport and leisure facilities on the land in front of the Dukeries - to increase opportunities for engagement in physical activity, delivering associated health benefits.
- 5.3 Indeed, Notts County Council has agreed to transfer the land required to develop out Option 3 to the Council at nil cost and have provided a valuation for the Council to purchase the freehold of the additional large piece of land at 100k, subject to member/committee and secretary of state (see map in the Options Appraisal Appendices).
- 5.4 Given the scope for improving outdoor sport and leisure facilities and the additional benefits purchasing this land would bring to the Ollerton and Boughton Neighbourhood Study in progressing their preferred option (details of which are to be presented in a report to the Economic Regeneration Committee on 20 June 2018), it is recommended that this land be purchased by the Council. This would provide some additional control over the development of the site in the future and a feasibility study could be carried out at a future point in time, to bring back to Members.

- 5.5. There is already a school, leisure centre, youth centre and multi-use games area on site. The development of outdoor facilities, such as green gyms for example, could compliment local provision and offer further opportunities to provide outreach work, particular to the two adjacent communities in need of such provision. This could be similar to the model being developed in Newark. Members will be aware that Newark has indoor facilities being provided by A4T at NSFC and outdoor facilities being provided by the YMCA.

## 6.0 **Financial Appraisal**

- 6.1 This project and initial feasibility costs of £60,000 were included within the Council's revised Medium Term Financial Strategy, approved by Policy and Finance Committee on 29 June 2017, and has been included in the Council's approved Capital Programme.
- 6.2 The cost of taking Option 3 onto the next phase is estimated to be around £250,000, which is included within the financial appraisal below:

### Option 3: Dukeries Improvements Scheme and Pool Hall New Build

<b>Capital Costs</b>		
Construction costs		£5,715,461
Fee's (including project management, design and planning fees, building condition, ecology/topographical surveys )		£805,740
Fixtures, Fittings and Equipment		£381,500
Project Contingency		£ 1,004,430
	<b>Total</b>	<b>£7,907,131</b>
Costs incurred to date for feasibility (including cost of consultants and surveys)		£60,000
Demolition costs – Dukeries site		Nil
Land Purchase – <b>gifted</b>		Nil
	<b>Total</b>	<b>£7,967,131</b>
<b>NET Revenue</b>		
Projected Growth – per annum	<b>£74,570</b>	

- 6.3 The financial appraisal includes a large contingency provision due to the risks associated with opening up an existing building, which we would look to mitigate against through building conditions surveys etc. The Council's capital programme is funded through a mixture of reserves and capital receipts supplemented by additional borrowing, if required.
- 6.4 In addition, the projected revenue growth forecasted by Active4Today on Option 3 if realised, would result in a £74,570 per annum increase in revenue income - to be recovered from a reduction in the management fee payable to Active4Today. In isolation, this is a low return on investment in financial terms and would not be realised for a couple of years. However, if this Option was taken forward to delivery it would contribute towards delivering a number of wider social, health and wellbeing benefits for residents, in line with the projects aims and wider master planning of the area.

- 6.5 It should be noted that Option 3 is also considerably cheaper than the new build option (Option 2) costing an additional £5m, which could be invested more prudently in line with the Council's Investment Strategy to generate a greater return on investment.

## **7.0 Equalities Implications**

- 7.1 Equalities implications will be considered as part of further modelling and development of a detailed business case.

## **8.0 Section 151 Officer Financial Comments**

- 8.1 As advised earlier in the report, the initial cost of £60,000 for carrying out the feasibility study was budgeted for and this amount has been expended to budget.
- 8.2 The cost of the next stage of developing a detailed business case for the proposed Option 3 is estimated at £250,000. This amount is programmed to be funded by transfer from the Council's Change Management Reserve to Capital Reserve and applied to this project.
- 8.3 The cost of delivering Option 3, as set out in the table in 6.2 above, is £7,967,131. The return from this investment by way of increase in income is £74,570, or less than 1%. Therefore, purely on an "invest to earn" basis (as set out in the Council's Commercialisation and Investment Plans) the project is not considered viable.
- 8.4 Prudential borrowing is not a funding option as the increased returns cannot service the debt.
- 8.5 The only funding route, therefore, would be to use the Council's capital and revenue reserves. At the date of writing this report, the Council's Useable Capital Reserves are £620,000 and the Council's Change Management Reserve, which has been established to fund service initiatives and capital schemes that generate a return of at least 6% (reference, the Council's Investment Plan) is £9.1m.
- 8.6 The total cost of delivering the enhancement to the current leisure centre and building a pool, i.e. Option 3, could, therefore, as a stand-alone project, if supported by Members, be funded from the Capital Receipts Reserve and the Change Management Reserve. This would, however, almost completely deplete the Council's combined reserves. This would not only severely limit the delivery of other projects but also mean a significant departure from the Council's approved Medium Term Financial Plan, Commercial Strategy and Investment Plan together with the business case for setting up the Council's development company; all of which plan for financial sustainability and independence by the year 2020/21. This, therefore, is not an option that the Council's s151 Officer can recommend.
- 8.7 Members could make the decision, instead to re-visit the development proposals as set out in Option 3, after delivery of the housing between the two communities of Ollerton & Boughton. The increase in New Homes Bonus, increase in Council Tax base and potential s106 could then be taken into consideration in putting together a possible funding package.

8.8 Again, Members could decide to support, in principle, the development of a “sports hub light” model, as set out in this report. Therefore, it is important to secure the purchase of the land from Nottinghamshire County Council as this will also facilitate the delivery of additional housing units and meet the requirements of the Neighbourhood Study and green open space. The **confirmed** value of this land purchase of £70,000 can be funded (assuming that Members will not support moving to a detailed business case for Option 3) from the £250,000 that has already been set aside from the Change Management Reserve to fund the detailed business case for Option 3. The purchase of the land at £70,000 is therefore considered to be a far more financially sustainable approach than spending £250,000 on a detailed business case, at this point in time.

## 9.0 **RECOMMENDATION**

**This paper is due to be considered by the Leisure & Environment Committee on 26 June 2018. Their comments on this report and recommendations will be reported verbally for Policy & Finance Committee to consider and approve.**

### Background Papers

Nil

For further information please contact Leanne Monger, Business Manager – Housing & Safeguarding (Project Manager) on extension 5545 or Matthew Finch, Director – Customers (Project Director) on extension 5716.

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