

TRAFFORD COUNCIL

Report to: Executive
Date: 25 September 2017
Report for: Decision
Report of: Executive Member for Communities and Partnerships

Report Title:

Leisure Centre Redevelopments

Summary:

Following the decision of the Executive in November 2016 to invest £24.39m in improving a number of Leisure Centres this report sets out the detail for the proposed refurbishment of Urmston Leisure Centre and an update on proposals in relation to Sale Leisure Centre.

Recommendation(s):

That the Executive;

- 1) Agrees to progress the proposed option for Urmston Leisure Centre for refurbishment & extension at a cost of up to £6.4m financed as set out in paragraph 3 of the report.
- 2) Agrees that the additional borrowing of £1.15m to fund the scheme, be included as part of the 18/19 budget proposals.
- 3) Notes that steps are being taken to explore further options and opportunities in relation to Sale Leisure Centre, to be brought back to a future meeting of the Executive.

Financial Impact:

Estimated capital investment in the Council's leisure centres to be financed from a combination of capital receipts, and borrowing. It is intended that any associated financing costs will be recovered from Trafford Leisure CC Ltd and

	where appropriate also provide an additional income stream to support the future revenue budget.
Legal Impact	The immediate steps which will be required to be taken as a consequence of the approval of these recommendations are those related to the negotiation and finalisation of a new operating agreement to be entered into between the Council and Trafford Leisure CIC to cover the income stream to be received by Trafford Council from Trafford Leisure CIC.
Human Resources Impact:	With investment and growth in leisure centre usage, there is potential to create a greater number of local jobs and apprenticeships.
Asset Management Impact:	See report
E-Government Impact:	None
Risk Management Impact:	See report
Health and Safety Impact:	See report

Contact person for access to background papers and further information:

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Background Papers:

Executive reports and papers from the Executive Decision November 2016

1 Background

- 1.1. At a meeting of the Executive in November 2016 a decision was made to approve a capital investment of £24.39m to improve Sale, Urmston, Stretford and Altrincham Leisure Centres. It was also agreed that further reports should be brought back to the Executive to seek approval for any investment, provided that such proposals demonstrated sufficient income growth to fund the capital costs.
- 1.2 Further work has been undertaken in order to present schemes in relation to Urmston and Sale Leisure Centres. Gardiner & Theobald project management consultants (G&T) were procured under the terms of the Executive approval to provide project management support to these projects.
- 1.3 In addition G&T appointed a design team and specialist surveyors to work alongside them supporting this work. Trafford Leisure CIC ("Trafford Leisure") has been involved as part of the project team to ensure the development of appropriate revenue opportunities were considered to compliment the designs and increase future income profiles.

2 Urmston Leisure Centre

- 2.1 In November 2016, following the development of a commercial prospectus that reviewed the business of Trafford Leisure and the leisure assets currently owned by the Council, a proposal was brought forward to invest £2.1m in the development and improvement of Urmston Leisure Centre which included a number of condition works.
- 2.2 The detail of the proposals contained in that scheme included:
 - £767k of condition works;
 - A modern fitness suite, updated pool viewing area, new multi-use studio carved out from the sports hall, new dance studio, new toning room along with flexible wellness room;
- 2.3 As part of the detailed review and design work, G&T secured a design team which included architects, structural engineers and mechanical & electrical engineers. This work included due diligence for these proposals and as part of this due diligence the team undertook further detailed survey work in relation to the centre, as well as considering optimum design options.
- 2.4 Following these detailed surveys the Council has been advised that a more robust estimate of costs in respect of the condition works, which were originally estimated at around £767k, would be in the region of £1.2m. It should be noted that the redesign based on the original proposal also incorporated some condition changes and improvements beyond just condition works.

- 2.5 One of the major contributors to this cost increase is the identification of the need to replace the centre's plant equipment to support the overall improvement and investment.
- 2.6 The Leisure Project Board and the design team have also challenged the original scheme to improve further the customer journey and fitness and leisure options. The aim of this review was to optimise an increase in income levels; improve the aesthetic appeal of the building whilst bringing the standard of the leisure centre into the 21st century; and future proofing the building as much as possible, with the addition of more flexible space and better utilisation of the building footprint.
- 2.7 This has resulted in the development of a new scheme which it is believed provides a basis for a better return on investment by including:
- A larger modern fitness space utilising an extension to the building instead of reducing the size of the current sports hall;
 - A new welcome area creating a building heart that will positively transform the user experience;
 - An improved viewing area for the pool including a food and drink area as well as a quieter non poolside food and drink area and opportunities for a party room;
 - A new first floor area to the front of the building with multi use studios, wellness rooms, soft play, clip & climb and fitness area;
 - A striking visual impact and more aesthetically pleasing and welcoming experience for all leisure users; and
 - Improved parking infrastructure;
- 2.8 This revised proposal which addresses all condition works including the provision of new plant equipment alongside the improved customer offer would require an investment of around £6.5m. In order to support this increased level of investment a number of new business opportunities are available such as clip & climb, soft play and increased flexible space. Appendix 1 is an illustration of how the scheme may look.

3 Funding

- 3.1 The revised estimated capital cost, inclusive of professional fees and contingency and covering both condition and improvement works is £6.45m. This is an increase on the original budget of £2.1m approved at Executive in November 2016, due in part to the requirement to undertake additional condition works and due to enhancements to the original scheme proposals.

- 3.2 It is estimated that the enhanced scheme will provide an opportunity to generate extra income and the additional commercial opportunities have been reviewed by Trafford Leisure and its Board.
- 3.3 It is proposed to finance the scheme through a combination of capital receipts and borrowing:-

Capital Cost and Financing		Original £000	Current £000	Variation £000	Explanation
Improvements		1,346	5,279	3,933	
Condition		767	1,171	404	
Total Costs, incl fees and contingency		2,113	6,450	4,337	
Financing					
Capital Receipts		1,100	2,600	1,500	
Borrowing		1,013	3,850	2,837	Annual costs of borrowing £3.8m = £250k assuming 2.5% borrowing cost over 25 years
Total Financing		2,113	6,450	4,337	

The financing of the original scheme was approved under the Capital Programme by Executive and Council as part of the overall phase 1 works, which also included provision for Sale Leisure Centre, proposals for which will be presented to Executive over the next few months.

The estimated costs relating to the revised Urmston proposals of borrowing and debt repayment costs on the MTFP is £250k p.a based on a cost of borrowing of 2.5% over a 25 year period and allows for a prudent level of headroom in the event that income projections fall below projected levels.

- 3.4 The Council has already approved borrowing of £2.7m to fund the proposals for phase 1 of the leisure proposals considered in the November 2016 report. The increased costs of this scheme would in part be funded by capital receipts, but would require additional borrowing, the cost of which would be offset by additional income which would be generated as a result of increased attendance levels and greater income from the improved facilities. This report therefore also seeks Executive approval for the additional borrowing required in a sum of £1.15m to be provided for in the 18/19 budget proposals.
- 3.5 The revised scheme which supports a much improved and larger Urmston Leisure Centre represents a good proposal in terms of investment for future growth whilst also covering on-going liabilities in relation to condition works. The proposals will in turn allow Trafford Leisure to return an increased income to the Council.

- 3.6 The revised scheme and cost of borrowing was also considered by Trafford Leisure Board on Tuesday 12 September 2017, who approved the scheme and level of repayment required.
- 3.7 It is considered that with investment and new features such as clip and climb and more flexible spaces that can be adapted to the latest trends, it is likely to attract people who may not previously have used a leisure centre, and encourage more young people and families to use Urmston Leisure Centre.
- 3.8 Any future decision in relation to George H Carnall Leisure Centre is unrelated to this investment in Urmston and a further report will be brought back to the Executive at an appropriate point.

4 Sale Leisure Centre

- 4.1 In November 2016 the commercial prospectus undertaken on behalf of Trafford Leisure highlighted a proposed scheme for Sale which would have required an investment of £4.4m and which would have included £850k of condition work.
- 4.2 This proposal sought to improve first impressions through an enhancement to the entrance; improved customer journey; provision of an improved food offer; better signage and branding; improved utilisation of space; resulting in the potential to deliver an overall improved income profile.
- 4.3 As with Urmston, more detailed survey work and an assessment of space utilisation has been undertaken by the appointed design team. Following this due diligence additional costs have been identified in relation to condition work, alongside potential opportunities for better use of space to maximise the leisure offer and improve the income profile.
- 4.4 In order to ensure that a final scheme captures the optimum return on investment as well as improving facilities for customers and residents then further time is required to consider the full range of options and opportunities and it is therefore proposed to bring revised proposals for Sale to a future meeting of the Executive.

Consultation

Detailed consultation will take place with the relevant user groups for those facilities that are part of the proposals for consolidation and redevelopment once agreement to proceed has been reached.

Other Options

- Invest in excess of £1.2m to rectify an urgent backlog of maintenance at Urmston Leisure Centre. This would not however allow for the development of the leisure offer and would not provide any opportunity to grow income from the services to be provided.

- Do nothing. This is not an option given the extent of the condition works which would be required just to enable the centre to continue to function at existing levels

Reasons for Recommendation(s)

The modernisation of Urmston Leisure Centre will increase the usage, opportunities, programme offer and generate significant additional income to meet the investment requirements. It will also offset the need to spend capital on the backlog of routine maintenance, which would have no perceivable impact on improving the customer facing aspects of the centre and would therefore not generate additional revenue.

There is also a risk of falling customer numbers without visible improvements, which would severely jeopardise the Council's ability to sustain a leisure centre offer in each of its key localities.

Of prime importance for this proposal is to secure a significant improvement in health and wellbeing outcomes by improving the opportunities for residents to improve their physical activity levels with a resultant financial benefit in reducing pressure on health and social care services.

Key Decision: yes

If Key Decision, has 28-day notice been given? Yes

Finance Officer Clearance: DM

Legal Officer Clearance: JLF

CORPORATE DIRECTOR'S SIGNATURE:



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

Appendix 1 – Proposed Urmston Scheme (for illustrative purposes)
Example; external view, ground floor, first floor





