

Hambleton District Council

Report To: Cabinet

Date: 28 July 2020

Subject: **Thirsk and Sowerby Leisure Centre Improvement Project**

Portfolio Holder: Leisure
Councillor Mrs B S Fortune

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 Within the Council Plan, 2019-23, 'Thirsk and Sowerby Leisure Centre Improvements' are identified as a key project. This project is part of the Council's strategy to invest in leisure facilities across the district. This report seeks approval for delivery of a scheme of improvements at Thirsk and Sowerby Leisure Centre (T&SLC), and the submission of a planning application at the relevant time.
- 1.2 The existing centre was built in 1991/92 and whilst improvements have been made to the facility over the years, it has become apparent that significant repairs are needed, especially to the infrastructure including a new roof and comprehensive replacement of building plant equipment, much of which is almost 30 years old. The main problems lie with the quality of the roof, the excessive condensation build up and the unreliability of the plant equipment which has led to unscheduled customer closure of the pools over recent times. At initial assessment it was clear that these works would be expensive and require a major closure of the venue to undertake. In 2019 a feasibility report into options for more extensive building improvements was produced by Alliance Leisure Services Ltd (ALS), who undertook the Northallerton LC project. Following receipt and consideration of this report, Management Team identified a preferred design, estimated at £3.6m, and instructed that a cost confidence exercise should be undertaken, with Cabinet approving the funding for this exercise in February 2020. The cost confidence report has been received and the estimated cost is £3,838,083 (including contingency of £142,354).
- 1.3 Clearly COVID-19 considerations will need to be given to the operation of all leisure centres, including Thirsk & Sowerby LC, as Government guidance emerges and time progresses. It is not anticipated that these will change the main design principles of the preferred option but some modifications and changes to operation will be required. The basis for this report, whilst mindful of COVID-19, is predicated on a return to full service delivery operation.

National Situation

- 1.4 The evidence for leisure centres having positive long-term effects on the local community is well established, especially with regards to physical and mental wellbeing and social benefits. The Government identifies 150 minutes a week, of moderate activity, being a target for adult physical activity (UK Chief Officers Physical Activity Guidelines – September 2019), with the British Medical Association's 'Get Moving Report' October 2019 emphasising the benefits of recreation facilities. Similarly the Department for Digital, Culture, Media & Sport School Sport and Action Plan, July 2019, emphasises the benefits of indoor sport activities for children. The Sport England Active Lives survey highlights key elements of indoor leisure provision being gyms, fitness classes, weights' sessions, with swimming now more stable after a number of years of decline.

Hambleton and Thirsk Situation

- 1.5 Hambleton performs well in comparison to national physical activity figures. However, whilst children and adults tend to be more active in Hambleton than across the country, 21% of our residents are still physically inactive (England 24%) and 56.9% of children are deemed "less active", as opposed to 66.2% in England.
- 1.6 Hambleton's Sports Facilities Strategy 2017-2035 stresses the importance of indoor leisure centres within Hambleton's market towns, identifying the role gyms, indoor spaces and swimming pools play in promoting healthy lifestyles. The strategy identifies that there is an "under supply of fitness stations in the district" of 105 stations (or pieces of equipment). The recent improvements at Northallerton LC and Stokesley LC have reduced this number by 55. The future aim would therefore be to increase gym stations via any development work at the centres in Thirsk & Sowerby, Bedale and Easingwold.
- 1.7 As part of the recent feasibility study the latent demand for fitness facilities in Thirsk was assessed, i.e. if facilities were improved what is the likely number of members that could be attracted? This was analysed over a 12 minute drive-time of the centre and focused on locations that normally gravitate to Thirsk. The analysis established that the maximum demand is 895, which is 275 members more than the present average membership base of 620 (see Appendix 2 for further detail). This is felt to be a realistic number. Memberships that combine gym and class offers, generate the most income of all activities at Thirsk.

The Options for Thirsk & Sowerby Leisure Centre:

- 1.8 In line with the ambitions of the Council Plan three options for facility development were considered at the feasibility stage. These all included the specification of:
- 60 station gym;
 - 30 person studio;
 - 25 person group cycling studio;
 - Addressing the roof and condensation issues and
 - Replacement of building plant equipment.

- 1.9 Of the three alternatives, Options A and B were single storey, with Option C being a two storey adaptation. Whilst the layouts were reasonably well-developed the costs were indicative, primarily based upon gross internal floor area (GIFA) rates. Option C, the two storey option, was substantially the most expensive but presented operational difficulties and did not represent good value. Options A and B were similar in content but of different layout configuration. Option A was chosen as the preferred alternative as it met the specification, offered the best operational solutions, as well as being the least expensive.
- 1.10 In order to improve the accuracy of costs a cost confidence exercise was undertaken for the preferred option. Cost confidence provides worked up estimates based upon detailed surveys and developed designs, rather than just GIFA rates. At the same time further evaluation also took place of the preferred option prior to the final costs being established in order to ensure that the proposed building would meet operational requirements; this resulted in the inclusion of a 24 hour access point, as at Northallerton.
- 1.11 Details of the preferred option are shown within Appendix 1. The option extends the building to include a 300m² gym (Northallerton's is 400 m²) with 24/7 access; x2 studios and better ancillary spaces. Improvements are made to other existing areas including refurbishment or, in the case of the roof and plant, replacement. New fitness equipment is also included. The cost of the improvements is £3,695,729 plus a recommended £142,354 contingency that will be needed to address any financial concerns that arise when updating a 30 year old facility. No increase is made to the car park capacity, although improved management will be necessary to protect spaces for customers and Flatts users.
- 1.12 By way of comparison consideration has been given to another option whereby only the essential elements of the facility are improved, notably the roof replacement and plant overhaul, with the essential ancillary works. This would result in the building offering the same range of facilities as present but with the roof and plant being fit for purpose; no additional improvements would be included. The approximate cost would be £1.275m. It is estimated that the facility would need to close to paying customers for circa 5 months to undertake the works.
- 1.13 Should a decision be made to pursue the preferred option, permission from the Flatts Trust and the Thirsk & Sowerby Swimming Baths Charity would be required, as well as planning permission. Planning permission would be an integral part of the cost certainty process whereby accurate and exact costs would be established, which the developer would then be held to. The expenditure for the cost certainty exercise would be in the region of £195,000 and is included within the cost confidence estimate, should the project go ahead. Cost certainty would include further detailed and invasive surveys and designs, individual room specification data sheets, final programme of works and confirmed market tested costs.
- 1.14 The cost certainty exercise, including planning permission, is estimated to take 14 weeks once approved by Council. Subject to the outcomes of this exercise being positive and the final costs being no greater than a 5% tolerance of the existing estimate of £3,838,083, contracts could be finalised and site mobilisation take place in early 2021. The construction period would be 26 weeks, meaning that the centre would be open for Autumn 2021. For the vast majority of the 26 week construction period the centre would be closed to paying customers, although exact details would need to be established.

2.0 Link to Council Priorities

2.1 Whilst this project primarily impacts upon the Council's 'Enhancing Health and Wellbeing' priority, by providing an improved community facility it also enhances the vibrancy of Thirsk and Sowerby and the attractiveness of the area to residents and visitors, 'Providing a Special Place to Live' and helping to 'Drive Economic Vitality'. The Council plays a major role in improving public health and wellbeing, particularly in terms of prevention, and the continued improvement of this facility will help to tackle the physical and mental activity needs of the local population.

3.0 Risk Assessment

3.1 Risks in approving the recommendations:

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
Costs run over budget, leading to financial/funding issues.	Additional funding would need to be identified, which might result in funds needing to be taken from other capital projects.	3	4	12	Working with experienced, competent delivery partner Alliance Leisure to ensure cost certainty and reduce risk. Regular budget monitoring meetings.	2	2	4
Failure to meet revenue projections	Poorer return on investment leads to greater strain being put upon HDC financial strategy and other revenue budgets.	3	4	12	Properly researched, professionally delivered and effectively marketed project needed.	2	3	6

3.2 The key risk in not approving the recommendations as shown below:-

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
The leisure centre will deteriorate further.	Higher maintenance and repair costs, more frequent closure periods and potential unsafe premises leading to customer dissatisfaction and reduced attendance and income.	3	4	12	Carry out full refurbishment as per project or complete urgent roof and plant works only.	1	4	4

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

Overall the risk of agreeing with the recommendations outweighs the risks of not agreeing them and is considered acceptable.

4.0 Financial Implications

- 4.1 The cost to deliver the building improvements and related works highlighted in Appendix 1 is estimated to be £3,838,083 (including contingency of £142,354).
- 4.2 In order to undertake the works included within the preferred option the centre will need to close for approximately 26 weeks. The full details of this won't be known until completion of the cost certainty exercise but wherever possible it is intended to keep services open. The loss of income will be approximately £59,000/month, totalling £354,000 for the 6 month period. The anticipated expenditure savings will be £42,000, equating overall to a net cost for closure of £312,000. Clearly every effort will be made to minimise income loss and maximise savings over this period.
- 4.3 Once reopened the full year equivalent revenue effects of this project are estimated to be as follows:

Revenue Effects	Year 1	Year 2	Year 3	Year 4
Total Income	101,268	118,204	118,256	118,284
Total Expenditure	65,844	62,925	63,308	63,709
Net Surplus	35,424	55,279	54,948	54,575

- 4.4 Further revenue details over a 5 year period are shown in Appendix 3.
- 4.5 The capital expenditure for the project at £3,838,083 would result in the finance costs of borrowing over 50 years at current interest rates being £0.170m, which is an additional cost to the revenue budget every year. Taking the Net Surplus revenue effect into account (once the leisure centre has reopened) along with the finance costs, the increased expenditure to the revenue budget annually from year 2 and ongoing would be £0.112m. In year 1 the cost would be £0.132m.
- 4.6 The increased cost from borrowing described in the report is the worst case scenario and use of reserves to fund this project will be considered to ensure the most favourable outcome for the Council is realised. At this stage it is uncertain as to when the project will commence, the initial loss of income will occur and when the finance costs will be incurred; therefore the partial year effects will be included in the most appropriate quarterly financial report in due course and also the 10 Year Financial Strategy.

5.0 Legal Implications

- 5.1 Whilst the ownership and governance arrangements for the centre are unique within the Hambleton portfolio they do not provide undue risk should the facility be developed. For example, although the relevant land is vested in Hambleton District Council as "Custodian Trustee" for the Thirsk and Sowerby Baths Charity, the purposes of the charitable scheme require the land to be used for the "provision and maintenance of a swimming pool for the use of the inhabitants of the area comprising the Town of Thirsk and the Parish of Sowerby..." Under the terms of the charitable scheme, therefore, it is highly unlikely the land could be used for any other purpose. What is more, given that the District Council appoints five of the nine Managing Trustees (who effectively control the Charity) this provides sufficient control over the future use of the Site. The Council presently has agreement with

the Sowerby Flatts Trust Charity regarding the use of the car park land and it is envisaged that this agreement will continue to ensure the protected use for centre visitors and Flatts users alike.

- 5.2 The Council appointed a development partner, Alliance Leisure Services Limited, to deliver the Northallerton improvement project. The partnership was highly effective and the delivery outcomes excellent. The existing contract, with an option to extend for a further 5 years, allows for other works to be undertaken which would minimise procurement time whilst still ensuring satisfactory challenge and best value. It is proposed that Alliance Leisure Limited be contracted to deliver the project. Planning permission will need to be sought.
- 5.3 The Council received a Sport England grant in 2008 for the development of the facility, the terms and conditions of which will require consideration. It is not envisaged that these will provide an impediment to progress, should the project move forward, however they do need full consideration.

6.0 Equality/Diversity Issues

- 6.1 Equality and Diversity issues have been considered within the initial works undertaken for this project. Access and provision for all sections of the community will be built into the cost certainty exercise to ensure that the facility is suitable for as wide a range of the community as possible, with consultation taking place. Assurance is given that any approved development meets the Council's obligations with the Public Sector Equality.

7.0 Health and Safety Issues

- 7.1 There are no health and safety issues at this stage of the project but, should the project progress, there will be significant requirements with regards to construction and operational matters.

8.0 Recommendations

- 8.1 That Cabinet approves and recommends to Council that:
- (1) the preferred option to refurbish and extend the centre be approved as described in paragraph 1.11 of the report;
 - (2) the preferred option is funded as described in section 4.0 of the report;
 - (3) the financing of the scheme is delegated to the Director of Finance and Commercial (S151 Officer) as detailed in paragraph 4.6 of the report;
 - (4) Alliance Leisure Services Ltd is commissioned to deliver this project including the undertaking of a exercise to determine the cost certainty before commencement;
 - (5) subject to the limits of flexibility set out in paragraph 1.14, the Chief Executive in consultation with the Leader is authorised to approve the project following the cost certainty exercise;
 - (6) monitoring and review of project delivery is undertaken by Management Team, with regular update reports provided to Council Members; and

(7) a planning application is submitted.

Steven Lister
Director of Leisure and Communities

Background papers:

- UK Chief Officers Physical Activity Guidelines – September 2019
- British Medical Association's 'Get Moving Report' October 2019
- Department for Digital, Culture, Media & Sport School Sport and Action Plan, July 2019
- Sport England Children Active Lives – September 2018 to July 2019
- Sport England Active Lives Survey – April 2019
- Hambleton's Sports Facilities Strategy 2017-2035

Author ref: SL

Contact: Steven Lister
Director of Leisure and Communities
01609 767033