

Report To:	Cabinet	Date:	22 nd June 2017
Heading:	LEISURE TRANSFORMATION PROGRAMME – REPLACEMENT LEISURE CENTRE IN KIRKBY-IN-ASHFIELD		
Portfolio Holder:	CLLR AMANDA BROWN - HEALTH AND WELLBEING		
Ward/s:	ALL		
Key Decision:	Yes		
Subject To Call-In:	Yes		

Purpose Of Report

Following an extensive feasibility study, to update Cabinet on the Leisure Facilities Transformation Programme and to seek authorisation to proceed with the next steps towards delivering the Council's aspiration to deliver a new flagship leisure destination in Kirkby-in-Ashfield.

Recommendation(s)

- a. i) Progress the next stage of the feasibility into the preferred option which is to replace the existing Leisure Centre with a new flagship Leisure destination in Kirkby in Ashfield on the preferred key town centre site identified in the evaluation and within the prescribed timeframe or
 - ii) if land acquisition of the preferred site cannot be achieved, progress the feasibility into the redevelopment of the current Festival Hall site option (retaining the existing site for use during construction for as long as possible).
- b. To commence the retendering of the Leisure Management contract by producing a 'shadow bid' followed by soft market testing.
- c. To explore external funding opportunities. In order to deliver the project there needs to be a combination of capital, revenue and external funding.
- d. Due to the specialist nature of the work and knowledge already gained by the existing consultant, Cabinet is requested to grant an exemption from Contract Procedure Rules enabling the Chief Executive (in consultation with the Portfolio Holder) to further commission the existing consultants for the recommended and associated works if the value for money has been tested. (Exemption Part 11 of the contractual procedural rules paragraph 66.6)

Reasons For Recommendation(s)

This report is to update Cabinet on Key Projects within the Council's Corporate Plan (2016-2019) including, the feasibility for a replacement for the Festival Hall Leisure Centre (informed by the Leisure Review).

Alternative Options Considered (With Reasons Why Not Adopted)

Do nothing: not recommended for a number of reasons. The Leisure Facilities Review has allowed the Council to understand the appropriateness of its current leisure stock and future requirements. The provision of an effective facility infrastructure will be central to the successful delivery of the health and wellbeing objectives within the Corporate Plan (2016-2019).

Detailed Information

1. Background

1.1. The Council's Vision

The Council vision is for local people to have access to modern leisure facilities to help lead healthier lifestyles. A clear approach to providing facilities has been identified including maximizing and rationalizing the use of the Council's assets alongside coordinated provision from other sources.

To help sustain leisure provision into the future, the Council's Vision is *'to secure a district-wide network of quality, affordable, accessible and sustainable Leisure Centres and services for the benefit of all residents of Ashfield'*.

In order to achieve the Council's vision Key Projects have been identified within the Corporate Plan: firstly was to carry out a Leisure Facilities Review (July 2016) and secondly, to explore the feasibility for a replacement for the Festival Hall Leisure Centre (informed by the Leisure Review).

1.2. Leisure Review

The council recognises the need to invest in its sport and leisure infrastructure to meet the objectives of reducing inactivity and improving the health and wellbeing of its residents; as well as ensuring the most cost effective provision. In order to address Corporate Plan priorities, an extensive Leisure Facilities Review was undertaken and Cabinet endorsed the findings on 14th July 2016.

The transformation programme for leisure centre provision has a clear approach to providing future facilities, including maximising and rationalising the use of Council assets, alongside coordinated provision from other sources.

The public consultation undertaken as part of the budget setting process in 2016 showed strong support for focusing resources on the larger leisure facilities, Lammas Leisure Centre in Sutton, Festival Hall in Kirkby and Hucknall Leisure Centre as they have 92.5% of the customer base. The Council is therefore proposing to prioritise investment and seek to sustain the larger sites in the long term.

1.3. Have your say, Shape your community consultation

Over a number of years, the Council has reduced its expenditure significantly to meet the financial challenge it faces, whilst at the same time seeking to improve its services. The Council undertook extensive consultation with Ashfield residents through 2016 to ask them to help the Council decide how we meet these challenges.

The 'Have your say' public consultation in December 2016 sought views on investment in a replacement leisure centre in Kirkby in Ashfield. The aim of the consultation was to assist the Council to shape future provision. Consultation feedback showed 78 per cent of respondents either 'strongly agreeing' or 'agreeing' with the Council's aspirations for the council's leisure stock. The public consultation also showed support for focusing resources on the three key leisure centres, Lammas, Hucknall and Kirkby.

An earlier Cabinet Report endorsed the Leisure Review Consultation analysis on the 13th October 2016 and agreed to proceed with further feasibility work for the replacement leisure centres in Kirkby.

2. Feasibility Study for Kirkby in Ashfield

2.1. Background

The Festival Hall is situated in the centre of Kirkby-in-Ashfield and was built in the 1930's, It has a very dated look and historically was used for a range of social events, as well as leisure and sport. The use for events has reduced over time and the remaining three court sports hall is not fit for purpose from a modern sports perspective and no ball sports can be played as low hall ceiling height restricts use.

The Festival Hall has the third highest number of visitors of all the leisure centres. The leisure review indicated that there is an opportunity to meet new participation needs from a new facility as well as more traditional provision.

The public consultation carried out in August 2016 on future transformation of the leisure service had a strong message of support from the public for investment in sport and leisure confirming the value and importance local people put on their local leisure services.

Following this evaluation, Cabinet agreed to examine several sites to replace the leisure centre in Kirkby, and in October 2016 agreed to proceed with a more detailed feasibility study for the two preferred sites identified. The objective of the study is to test and confirm the viability of the potential to build and operate a facility in Kirkby to replace the existing Festival Hall.

A successful grant application for £28,500 was submitted to the Nottinghamshire Pre Development Fund to fund the feasibility study costs. Ashfield District Council appointed specialist Leisure Consultants FMG Consulting Ltd to undertake a feasibility study to examine the potential for a new indoor leisure facility in the town of Kirkby-in-Ashfield to replace the existing Festival Hall.

2.2. Site Evaluation

The feasibility study considered both 'dry' and 'wet and dry' facility types and site assessments have been carried out on the two sites for development to identify the best

opportunity to deliver a leisure facility in Kirkby. (The existing Festival Hall site and land on the current Ashfield Health and Wellbeing site).

The work has been informed by assessing the supply and demand balance in the catchment area through the analysis presented in the indoor facilities strategy, a review of previous work, consultation with the public and local stakeholders, a review of operational performance and opportunities presented by the consultants' team bringing industry best practise and experience.

The aim of the study was to understand if a new leisure facility could be built in Kirkby, where it could be built, how much a new facility would cost to build, and how much it would cost to keep running. The further feasibility works will allow the Council to develop the project with full cost option appraisals for the two sites.

A number of options have been considered to help the new facility in Kirkby become a 'Leisure Destination' and 'Healthy Living centre' including recommendations to include play adventure activity, as well as activity for older people.

The options evaluation matrix was split into nine categories relating to the key project outcomes, including capital, revenue, lifecycle, health, economic and use perspectives. The results showed that a dry centre at the Ashfield Health and Wellbeing site was ranked first and the preferred option and a dry centre on the current Festival Hall site as the second option.

Overall the health and wellbeing site presents a better overall option from a site perspective and benefits from a highly visible location and adjacent to the main traffic junction. However both sites are capable of accommodating a new Leisure centre.

2.3. Proposed Facilities Mix

The Festival Hall user group have provided valuable insight into the future needs from a new facility, this group will provide an ongoing contribution throughout the project. The group wanted to see a better performance gym, more opportunities for sport and to retain the 'social' aspect of the current festival hall.

There was a clear mandate from the consultation to provide something different in the future, whilst building on the current social and health facilities, a new facility needs to attract a broader use base from the very young to the old.

The facility options have been developed through strategic and local context work, consultation, and supply and demand assessment.

The options present an opportunity to increase participation and improve health outcomes for the district. Importantly the options developed have been informed from the Council's transformation strategy with long term suitability in mind.

The options present an improved combined model of provision and support growth in events, conferences, fun, play, sports development, direct and indirect employment, business and health and wellbeing. Importantly the options provide something for everyone with activities from the very young to the very old:

Facility Type	Rational/benefit
Sports Hall – 6 court	To provide opportunities to develop both social (events) and many sporting activities not currently provided, including basketball, volleyball, netball and indoor hockey The sports hall would be capable of holding a range of events to accommodate up to 600 people
Health and Fitness Gym 75 station	The new gym will be designed to include, warm up/stretch, free weights and functional fitness area for enhanced performance and functional training alongside a range of gym equipment to appeal to a broad range of participants.
Two studios	Two multi activity studios, the space will be flexible to allow for a range of activities and community programmes, including, dance, art, exercise and conference.
Group Cycling studio	A group cycling studio, indoor cycling has been and remains one of the most popular forms of indoor exercise
Wellbeing toning and Rehabilitation Suite	An older persons and rehabilitation facility linked to a specific wellbeing, to provide opportunities for service integration with health partners in the area to improve health and wellbeing
Indoor Adventure soft play	The introduction of an adventure soft play is aimed at families and has the potential to provide for a broad range of users.
Indoor adventure climbing wall	An indoor adventure climbing facility such as clip and climb would complement the core leisure facilities and provide an attractive proposition for the young population and families visiting
Café/reception area	With the enhanced facilities, there will be a significant increase on dwell time, therefore the café area is proposed linked to indoor play, parties, after school coaching etc
Changing rooms	Designed to meet sport England design standards

The 'wet and dry' options for either site are currently ranked lowest for a number of reasons:-

- the financial appraisal finds them to be unaffordable,
- the previous study identified that there is a pool in Kirkby at Ashfield School,
- there does not appear to be sufficient levels of unmet demand in Ashfield to warrant additional pool provision.
- the study showed that there would be a displacement of 33% of the current usage at Lammas Leisure Centre in Sutton to Kirkby as well as usage from the existing pool in Kirkby.

However both options have allowed for future proofing if a decision to add a wet option to the site in the future. The facilities mix as outlined is based upon the direction set by Cabinet and the Labour administration more generally following the consultation and expert opinion.

2.4. Economic and Health benefits

The building of new leisure facilities can have a considerable positive impact on a local community, in relation to jobs, skills, health and wellbeing and economic growth. The benefits accruing from investing in a new facility in Kirkby, which support the financial case and needs assessment: The economic benefits have been assessed and estimates the following:

Combining the figures presented in relation to direct, indirect and induced impacts, there are clear benefits in terms of both spend and employment, *Approximately £16.7m total impact and 90 FTE* :

Construction of a new Leisure Centre

An initial estimate of Full Time Equivalent (FTE) jobs generated from Construction of a new facility regard to expenditure *Approximately 60 FTE*

Operating New centre

In relation to impact from operation of a new centre, many of the employees would be local either existing local residents or moving to the area as a result of the employment opportunity. *Approximately 30 FTE direct impact*

Indirect and induced benefits

Indirect multipliers measure indirect impacts arising from changes in activity for suppliers of the “front-end” businesses. This indirect multiplier creates the “ripple effect” in the economy and accounts for the impact on what the suppliers do to fulfil new incremental spending *Approximately £10.7m additional indirect and induced impact.*

2.5. Financial implications

In 2017/18 the council provides a subsidy of £256,705 to operate the Festival Hall (excluding building and lifecycle costs). A financial appraisal has been undertaken for each option, determining the extent to which reduction in subsidy and increase in operating surplus covers the capital financing costs. Developer contributions have been assumed to contribute towards the financing of the project but potential external funding may follow. In order to deliver the preferred project there needs to be a combination of capital, revenue and external funding.

The table below shows the estimated financial implications of each option over the next forty years.

<u>Kirkby Leisure Centre Options Review</u>				
	<u>Kirkby Dry Only Festival Hall Site</u>	<u>Kirkby Combined Festival Hall Site</u>	<u>Kirkby Dry Only Health Centre Site</u>	<u>Kirkby Combined Health Centre Site</u>
	£000's	£000's	£000's	£000's
Total Project Costs	(8,178)	(12,803)	(8,058)	(12,753)
Net Contributions	343	343	243	243
Total Borrowing	(7,835)	(12,460)	(7,815)	(12,510)
Financing and Capital Costs (A)				
Year 0 - Year 5	(1,922)	(3,057)	(1,917)	(3,069)
Year 6 - Year 10	(1,794)	(2,854)	(1,790)	(2,865)
Year 11 - Year 20	(3,205)	(5,098)	(3,197)	(5,118)
Year 21 - Year 40	(4,877)	(7,756)	(4,865)	(7,787)
Total	(11,799)	(18,764)	(11,769)	(18,839)
Potential Return / Saving (B)				
Year 0 - Year 5	1,817	1,089	1,896	1,205
Year 6 - Year 10	1,929	1,229	2,011	1,349
Year 11 - Year 20	3,858	2,459	4,021	2,698
Year 21 - Year 40	7,717	4,918	8,042	5,396
Total	15,321	9,695	15,971	10,649
Net Cash Inflow/(Outflow) (B-A)				
Year 0 - Year 5	(106)	(1,968)	(21)	(1,864)
Year 6 - Year 10	135	(1,624)	221	(1,516)
Year 11 - Year 20	653	(2,639)	824	(2,420)
Year 21 - Year 40	2,840	(2,838)	3,178	(2,391)
Total	3,522	(9,069)	4,202	(8,190)
Rank	2	4	1	3
Discounted Payback after 40 years				
The Discounted payback adjusts the Net Cash Inflow/(Outflow) for the estimated impact of inflation.	(682)	(5,245)	(485)	(5,311)

Based on the above summary the dry only sites are the only sites which make a positive contribution to the Medium Term Financial Strategy (MTFS). The Leisure Centre on the Ashfield Health and Wellbeing site provides the greatest contribution of the two dry only sites.

The discounted payback after 40 years takes into account the time value of money i.e. income received in future years is likely to be worth less than it is today. All of the different options have a negative discounted payback after 40 years. However the scheme with smallest negative discounted payback is the Leisure Centre on the Health and Wellbeing site.

The following assumptions have been used when calculating the financial implication of each Leisure centre option:

- No changes to PWLB from 2.61%
- The Leisure Centres have an expected life of 40 years.
- The model assumes the Council will save £256,705 subsidy and will receive an additional amount from the operator's surplus or pay to the operators deficit.

- The combined (with pool) sites take into account a loss of £175k from the Lammas due to customer switch therefore reducing the saving from the operator.
- The Health Centre options assume that the Council will be able to acquire land from the NHS and receive a capital receipt from the Festival Hall. There has been no consideration of timing of these events from a financial perspective.
- A discount rate of 3.5% has been used to calculate the discounted payback as per the Treasury Green Book.

2.6 Leisure Management Contract

The Council has a number of Leisure facilities across the district which are currently managed by Sport and Leisure Management Ltd., (SLM) trading as Everyone Active. The councils existing contract expires in April 2021.

Operational business plans have been provided for the development options and include the anticipated annual visitor numbers and full time equivalent jobs that are created under each option.

Previous work carried out in 2016 supported the position to competitively tender for a new Leisure management contract commencing 1st April 2021. The consultant has recommended that this process should start with soft market testing in the form of a Shadow bid. This will allow the council to fully understand the revenue implications in managing all the future leisure centre sites.

In order to inform the future leisure management contract, full detailed stock condition surveys at the existing council owned Leisure facilities will be undertaken.

2.7. Project Timetable

Summary of new build stages

In order to provide a long term sustainable solution for the area to deliver improved financial, social, economic and health outcomes all elements of the project have been included in a road map and delivery route, including consideration for construction, procurement and leisure management. This will be very much driven by the need to invest capital, attract external funding and deliver sufficient revenue savings to cover the development of the new facility.

Stage 1&2: The Initial stages completed include; Design RIBA Stage 1 - Outline scheme design and Design RIBA Stage 2 – Concept Design.

Stage 3: Progress preferred site: Work to commence following Cabinet approval (October/November 2017) 12-13 months: includes:-

- Design RIBA Stage 3 – Developed design
- Design RIBA Stage 4 – Technical design
- Planning
- Procurement and appointment of Contractor.

Stage 4: Construction of new Leisure centre; 14 months to build the replacement and demolish the existing building.

All timescales are estimates and subject to change.

3. Summary

The key challenges at this stage from the feasibility/ business case perspective relate to the capital costs for the development linked to speed of delivery and potential purchase of land on the preferred site, impacting on the income and expenditure projections provided in the business plan.

The consultant's opinion is that the Councils priority should be to pursue the option that can deliver on the investment, without compromising on quality or risk transfer. They have identified within the draft programme that new facilities could be delivered in advance of the new leisure management contract commencement. Therefore it is recommended that the preferred site (Ashfield Health and Wellbeing site) be explored further due to the challenges identified above.

If the preferred site is not achievable within the prescribed timeframe then the recommendation is to progress the current site (Festival Hall) that is in the council's ownership. The final project will come back to Cabinet later in the year for approval to progress.

Whilst the business plans provided are deliverable, they are never the less challenging and will require further refinement and development as the project develops. The consultant recommended that the council commence the retender of the leisure management contract by producing a shadow bid, followed by soft market testing from September 2018.

It is also recommended that full condition surveys are carried out on the council owned facilities to inform the future leisure management contract.

Procurement - It is vital to ensure that the development of the project provides an attractive and sustainable offer for the future. As the Council lacks experience in this field it would be advisable to obtain this specialist capability from an external consultant. FMG Ltd, they have wide experience in the management of leisure projects and have successfully delivered similar projects across the country.

It is therefore proposed to retain the services of FMG for the next stage of the project. FMG were successful in obtaining the initial consultancy works (see above) by competitive tender. The Council's Contract Procedure rules (Exemption Part 11 paragraph 66.6) allow for specialist works to be awarded without the need for competitive tender if this is seen to represent value for money and is in the best interests of the council.

Implications

Corporate Plan:

Health and Wellbeing Theme

- 1) Identify and focus on the area with the biggest health inequality in the District and increase access to leisure for non-participants
- 2) Take a targeted approach to improving health and well-being in the area of greatest need

Key Projects:

- 1) Review leisure facilities
- 2) To explore the feasibility for a replacement for Festival Hall Leisure Centre

Legal:**Part 11 of Exemption to contract procedure rules**

66.6 Exceptions may be granted to the following:

b. Where there is no (or sufficient) market place to tender for a supply of goods or services or works required because of the specialist nature of the proposed Contract permission to apply an exception will be sort from the Portfolio Holder or Cabinet to either deal with a single contractor or to vary the quotation/tender requirements.

Finance

This report is effective from 22/06/2017 and has the following financial implications:

Budget Area	Implication
General Fund – Revenue Budget	Conditions Surveys- £20,000. 50% funded from within the existing Asset Management budget. 50% met from Leisure Reserve Shadow Bid - £10,000 to be met from the Leisure Reserve.
General Fund – Capital Programme	The preferred capital project will go to Cabinet for approval later in the year.
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Human Resources / Equality and Diversity:

‘No direct HR implications are contained within the report’

Other Implications:

N/A

Reason(s) for Urgency (if applicable):

N/A

Background Papers

Cabinet - 24th January 2009, Leisure Centres Review.
Cabinet - 10th April 2014, Leisure Management Contract.
Corporate Plan (2016 – 2019)
Cabinet - March 24th 2016, Targeted Activities Programme.
Cabinet - 14th July 2016, Leisure Review Transformation Programme.
Cabinet – 13th October 2016, Leisure Review Transformation Programme.
Cabinet – 19th July 2017, Transformation Programme – Huthwaite Leisure Centre

Report Author and Contact Officer

Mrs Theresa Hodgkinson, Corporate Manager, Locality and Community Empowerment
Tel: 01623 457588 Email : t.hodgkinson@ashfield-dc.gov.uk

Edd de Coverly – Director Place and Communities

**Rob Mitchell
CHIEF EXECUTIVE**