

REPORT TO: Executive Board

DATE: 19 September 2019

REPORTING OFFICER: Strategic Director, Enterprise, Community and Resources

PORTFOLIO: Physical Environment and Community & Sport

SUBJECT: Leisure Centre at Moor Lane

WARDS: Borough-Wide

1.0 PURPOSE OF THE REPORT

The purpose of this report is to seek agreement to fund the development of a Leisure Centre at Moor Lane, Widnes.

2.0 RECOMMENDATION: That

- (1) Council be recommended to make a change to the Capital Programme in order to finance the development of a leisure centre at Moor Lane Widnes;**
- (2) Executive Board delegates responsibility for the delivery of the project to the Operational Director Economy Enterprise and Property and the Operational Director Communities in consultation with the Portfolio Holders for Physical Environment and Community and Sport; and**
- (3) Executive Board is provided with a further progress report in six months' time.**

3.0 SUPPORTING INFORMATION

In September 2018, the Executive Board gave Officers authority to explore funding sources to finance a replacement leisure centre for the leisure centre at Kingsway.

To do this, further feasibility work was required to determine the likely design, scale scope and cost of a replacement leisure centre.

Following a discussion with Wates Group, who are one of the largest privately-owned construction, development and property services companies in the UK, it was decided to have them undertake the feasibility work. This was possible as Wates are the sole provider on Scape's Major Works UK framework, Scape being a public sector framework provider, who ensures their various frameworks are fully OJEU compliant. The feasibility work was done free of charge under the framework.

It must be stressed that this does not/did not bind the Council to any future contractual arrangements. It is probable that Wates regarded this as an opportunity to showcase their work and develop a longer term strategic relationship with the Council.

Wates subsequently assembled a consortium including Ellis Williams Architects and Ramboll a leading engineering, design and consultancy company.

Wates were asked to develop proposals to provide a modern (leisure) hub facility for Halton comprising the following:

- 25m x 6 lane swimming pool with a learner pool
- Circa 150 swimming pool seating provision
- 100 station health and fitness provision
- 4/6 court sports hall
- A minimum of 2 multi-purpose/flexible studio spaces
- Complementary Facilities
- Health Consultation rooms
- Café/social space

Wates have now produced a comprehensive report.

In developing the proposals, Wates have led a number of workshops with Council staff, i.e. Highways, Leisure Services, Regeneration, Planning, and Property to better understand the Council's requirements.

Based on a 'You said, we did' methodology, Wates should be commended for the thorough and inclusive approach that they have taken to arrive at the proposals and recommendations outlined in the report. The report includes a number of key considerations including:

- Site Analysis
- Site Context
- Site Opportunities
- Sport England Requirements
- Design Options (Internal and external layout)
- Proposed Site Plan
- Risk Analysis
- Budget

Further information on the proposed design and use of a future leisure centre are contained in Appendix 1.

The feasibility work concluded that a leisure centre could be located on the Moor Lane site without the need to acquire adjacent properties, (for example, the pallet premises, which is located to the rear of the site), and that the land is within the ownership of the Council.

The Council's Management Team has previously received a summary of the possible procurement routes and management options together with the advantages and disadvantages of each option.

As a result, the Executive Board is advised that the most appropriate route would be for the Council to procure a building company to construct the facility, then the Council would manage the facility 'in house'. The total costs of delivering a leisure centre would be approximately £20 million. As the feasibility work was undertaken six months ago, there may be adjustments for inflation.

The future management arrangements would need to take into account the fact that the Council currently operates Runcorn Swimming Pool and the Brookvale Dual Use Centre.

Next Steps

Were Members to agree to the development of a leisure centre, as outlined above, there are three routes that the Council could take to commission the construction of the facilities.

Option 1 – Progress with leading contract provider.

With this option Wates as described above would, as leading provider, through an existing procurement framework, would continue to progress the development.

The main advantage of this option is that time would be saved because the leading provider already has worked up proposals and is familiar with the Council's requirements.

The main disadvantage of this option is that there is no opportunity to seek a reduction in costs through a competitive process

Option 2 – Undertake a mini competition through an existing framework.

With this option providers that are already registered on an existing framework would be invited to tender for the work.

The main advantage of this option is that there is a possibility, although not guaranteed to reduce costs through the tendering exercise. The main disadvantage is that there will be a delay whilst the tender documentation is prepared and assessed.

Option 3 – Invite Expressions of Interest Via the Chest.

The main advantage of this approach is the Council would seek interest from a wider market, potentially driving down costs and enabling a benchmarking of different 'offers' to take place. It might also produce alternative delivery options.

The main disadvantage is that the process itself can be expensive and time consuming. It is one of the reasons why the Council often tenders work through an existing framework given the tender process has already identified competent providers of a service.

On balance, it is recommended that Option 1 would be the best route to progress.

In respect of this Wates's feasibility report indicated a timescale of 140 weeks from issuing them the order to them delivering the finished building. Realistically we are therefore looking at a 3 year period for delivery, hence assuming a start date of 1st October 2019, work would be completed by 1st October 2022.

4.0 POLICY IMPLICATIONS

The Council's policy as outlined in the Indoor and Built Facilities Strategy is to 'create a high quality accessible and sustainable facility capable of supporting sport, health and well-being which offer inclusive services for all; enabling the inactive to become active and more residents to fulfil their potential by participating in sport and physical activity, thus improving their long term health and well-being'.

It is recognised that the borough's leisure provision should be accessible to all its residents. Whilst the proposals in this report relate to a development in Widnes, further work is being undertaken to promote leisure provision in Runcorn. This work will take into account the Halton Lea Healthy New Town Masterplan. The Masterplan provides a framework set around a vision for regeneration with health and wellbeing at the heart of these proposals. It has allowed strategic partners including Health, Runcorn Shopping City, The Council, Registered Social Landlords, the Police, and Voluntary Sector to agree priorities aimed at attracting future investment to the area.

5.0 FINANCIAL IMPLICATIONS

A budget of £18.8 million to deliver a leisure centre would be required, but this does not include the (non-essential) acquisition of a small parcel of land to maximise opportunities on site by providing a more regular shaped boundary, nor does it include the costs of relocating the bus depot and Enterprise Car Hire centre. Therefore, a figure of £20 million would be more accurate.

This would be a major and significant investment for the Borough. Other options have been considered in order to finance the scheme. This includes seeking a private sector investor partner and or engaging a private sector partner to manage the facility in the future.

However, it is considered that the only reasonable way to fund the development would be for the Council to borrow the capital needed to build the leisure centre.

There is potential to reduce borrowing costs through utilisation of a capital receipt from the sale of the existing Kingsway site. Net proceeds are

estimated at £1m which will reduce the overall borrowing requirement to £19m.

It is advised repayment of borrowing costs should be over a period of 25 years to match the likely estimated useful life of the centre. The annual cost of borrowing £19m will be approximately £1.117m, split between £0.357m interest costs and £0.760m principal repayment (known as MRP – Minimum Revenue Provision). MRP is payable the year after the asset becomes operational.

Appendix A provides a summary of forecast operational costs and income at Kingsway Leisure over the construction period and first five years of operation at the proposed new site.

It is forecast a new build will boost receipt of income significantly from current levels although net off to an extent by an increase in staffing and other costs in servicing the increase in demand. A new build is also likely to reduce the running and maintenance costs of the building, this is reflected in Appendix A.

The 2019/20 net budget cost of Kingsway Leisure Centre is £0.522m. As a result of the new build this is forecast to increase by £0.375m during the construction period to £0.897m and by a high of £0.902m in 2023/24 (first full year of operation) although reducing in future years to £0.639m in 2027/28

The impact of the above will need to be added to the Council's medium term forecast budget deficit unless other sources can be found.

There may be an opportunity to reduce the additional annual cost during the operational period of the leisure facility. However, to enable this, the Council would need to consider an outsourcing option. The saving of the outsourcing option is approximately £0.242m, this includes a reduction in staffing costs plus a saving on business rates if the operator was to benefit from relief of 80%, a forecast saving of £0.160m.

Costs could be reduced through the procurement process; securing external funding, or generating a capital receipt from the Kingsway site; and or a refinement of the specification for a leisure centre.

Discussions have recently taken place with the Combined Authority to acquire neighbouring sites which would support the development.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

Not applicable

6.2 Employment, Learning and Skills in Halton

Not Applicable

6.3 A Healthy Halton

The proposals promote strong links between leisure provision and associated health benefits.

6.4 A Safer Halton

Not Applicable

6.5 Halton's Urban Renewal

The proposals contribute to improving an important gateway to the town centre. Part of the proposals will include improvements to pedestrian routes between Moor Lane and Kingsway.

7.0 RISK ANALYSIS

A risk assessment has been undertaken previously and this related to the decision regarding the most appropriate method of procuring the construction of the facility.

All forms of procurement have advantages and disadvantages. Much will depend on HBC's approach to risk, whether HBC can access additional funding, and not least additional soundings from the market.

Timetable

The timing of any development will be affected by the Council's ability to negotiate an agreement with tenants and landowners to relocate.

Alternatives Considered

Developing an Alternative Site

Previous reports have outlined the relative strengths and weaknesses of developing the Kingsway and Moor Lane sites. It was concluded that Moor Lane should be used to develop a leisure facility, whilst Kingsway lends itself to a mixed use development with a focus on a residential offer for the Borough's older residents.

Refurbishment of the Existing Kingsway Leisure Centre

There is also an option to refurbish the existing leisure centre on the Kingsway Site.

The estimated costs of doing this are £12 million. This option would include the costs of new plant and machinery as well as new roof and structure with a life expectancy for the building of approximately 25 years.

Obviously, this is the least expensive option, but there are some disadvantages to this. The main disadvantage is that this would comprise a refurbishment of an existing facility on an existing footprint. Given the recommendations outlined in the Indoor and Built Sports Strategy it would be questioned whether this would deliver a service fit for the Borough's 21st Century leisure needs. Secondly, there would be considerable disruption to the existing facility during the refurbishment. Thirdly, it would reduce the footprint of the Kingsway site available for other end uses.

8.0 EQUALITY AND DIVERSITY ISSUES

The proposals would promote equality of access to leisure facilities in the borough

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
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<https://www.sportengland.org/media/12348/se-management-options-guidance.pdf>
<https://www.sportengland.org/facilities-planning/further-guidance/procurement-toolkit/>

Widnes Leisure Centre Forecast Budget 2019-2027

		Construction Period				Operation Period				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Expenditure										
Staffing	925	944	962	1,011	1,040	1,061	1,082	1,104	1,126	
Premises	547	558	569	500	420	428	437	446	455	
Supplies & Services	59	59	59	113	166	172	178	182	185	
Total Expenditure	1,531	1,561	1,590	1,624	1,626	1,661	1,697	1,732	1,766	
Income	-1,009	-1,029	-1,050	-1,196	-1,319	-1,490	-1,559	-1,590	-1,622	
Net Operational Expenditure	522	532	540	428	307	171	138	142	144	
Capital Financing Costs	0	357	357	357	1,117	1,117	1,117	1,117	1,117	
Total Net Cost	522	889	897	785	1,424	1,288	1,255	1,259	1,261	