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Briefing Note to EMT

Kidsgrove Leisure Centre

Background

The joint use agreement for the existing Kidsgrove Sports Centre has been extended until 31 March 2017.

The new school is due to be completed by December 2016 for January 2017 occupation. This is therefore the earliest 'start on site date' for the construction of Kidsgrove Leisure Centre.

The Kings School are still awaiting the outcome of their bid to Sport England Inspired Facilities Fund in relation to extending the new school sports hall from a 3 court hall to a four court hall. If successful they are £40k short on the £500k funding required and the County Council have pledged £20k if this is matched by the Borough Council.

In relation to Kidsgrove Leisure Centre a design steering group has met on several occasions and concluded a design for the new leisure centre.

The facility mix includes:

- A 25m 6 lane pool, shallow end 1.0m/1.2m deep end 1.8m/2.0m with platform lift for disabled access, spectator seating and pool store.
- Pool side sauna and steam cabins.
- Village changing, group changing, disabled changing and a changing places room, pre-cleanse and post swim showers
- Separate dry side changing and toilets
- 50 station fitness centre
- Flexible studio space
- Entrance foyer, with public toilets, vending service, reception desk, with back office
- Plant room, chemical stores, boiler room and air handling plant (on roof)
- External works and car park

The agreed layout is for a single storey development (for economy on foundations and lifts) but two layouts have been taken forward and cost plans developed; one with a slightly smaller foot print and less studio space (Layout A) and one with greater studio space and flexibility (Layout B) as this may prove beneficial in terms of income generation for a relatively small additional capital outlay.

Issues

The Cabinet panel expressed a desire for the existing facility to remain open while the new leisure centre is built. However the footprint of the new centre means that it is not possible to keep the sports centre open in its entirety. The project can be delivered in phases to keep the existing swimming pool open until the new one is ready but this is technically, operationally and financially challenging. It would involve the following sequencing:

- 1. Demolish existing dry side
- 2. Build new pool, changing and fitness centre

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- 3. Demolish existing pool
- 4. Build new studios and complete external works

The simplest and cheapest construction would be to demolish the existing sports centre and build the new leisure centre as a single phase. The single phase development requires a construction period of 65 weeks, compared with 93 weeks for the multi-phase option. However, cost plans have been developed for Option A and Option B as both single phase and multi-phase construction projects.

Finance

Capital Expenditure

The capital expenditure costs for each option is summarised in the table below (these appraisals assume there is no land price/receipt):

	Option A	Option B	
Single Phase	£7,987,451	£8,148,321	
Multi-Phase	£8,624, 730	£8,787,103	

Lease Expenditure

In return for Kier Property funding the scheme, the Council will be required to take a lease of 35years on the new leisure centre, paying the rent that is contained in each appraisal which will rise in line with RPI annually, with a collar/cap of 2-4%. At the end of the 35 year lease term the asset will revert to the ownership of the Council for a payment of £1. Therefore the Council will own the freehold of the building at the end of the lease term. The annual rent for each of the options is as follows:

Single Phase Layout A - £454,000 per annum

Single Phase Layout B - £463,500 per annum

Multi-Phase Layout A - £492,000 per annum

Multi-Phase Layout B - £502,000 per annum

These figures are comparable to the Council borrowing over 35years except our borrowing arrangements would not be subject to annual RPI increase.

Financial Borrowing

For the purposes of financial borrowing the following assumptions have been made:

- 1. The lifespan of the building is 50 years (based on information provided by Kier at Appendix 1)
- 2. A financial contribution of £1m will be made by the County Council and a grant of £0.5m will be obtained from Sport England.

Further details are available at appendix 2 but the amounts and borrowing costs for the four options are summarised below:

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	Opti	Option A		Option B	
	Amount	Total per	Amount	Total per	
	Borrowed	Annum	Borrowed	Annum	
Single Phase	6,500,000	332,800	6,700,00	343,040	
Multi-Phase	7,200,000	368,640	7,300,00	373,760	

Revenue Implications

In order to properly consider the revenue costs for operating the planned new leisure centre I have looked at the previous model (based on refurbishing the existing centre), and asked the consultant who undertook that work to use that as a baseline for updating with latest scheme data / pricing / programming etc, to produce a report for the Council including sensitivity analysis.

On this basis, he has quoted for 2.5 days' work, to include an initial meeting to go through the base position and agree model parameters and then a feedback session on the draft report.

Cost would £1,375 +VAT.

In addition, in relation to fitness incomes, it would also be worth getting a Leisure Database Company latent demand assessment, which gives a profile of the area, competition analysis and projection of future membership numbers for health & fitness – it costs £950 for this, but it would help give some evidence to the fitness income projections.

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