

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Cabinet
09 September 2020

Report Title: Kidsgrove Sports Centre Refurbishment

Submitted by: Executive Director Commercial Development and Economic Growth

Portfolios: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: Kidsgrove & Ravenscliffe

Purpose of the Report

To approve the development of the work package for full design and cost information prior to an award of contract and the financing arrangements for the refurbishment of Kidsgrove Sports Centre.

Recommendation

That Cabinet

1. Notes the progress made on the project since April 2020 cabinet in terms of scope, design and budget in consultation with the Kidsgrove Leisure Centre Community Group.
2. Notes that following detailed survey work, the target cost of the project is now £5.998m
3. Note that a bid been submitted under the Town Fund Advance Funding for a contribution towards the refurbishment of the Centre
4. Approves a supplementary capital estimate of up to £400,000 to be drawn down from the Council's 2020/21 capital programme contingency in the event that external funding contributions cannot be secured.
5. That the Executive Director Commercial Development and Economic Growth, in conjunction with the Portfolio Holder for Corporate and Service Improvement, People and Partnerships, continue to work with the Community Group to progress the refurbishment.

Reasons

The procurement of this contract will allow the council to fulfil its commitment to provide sports facilities in Kidsgrove that are modern, attractive and high quality that meet public expectations.

1. **Background**

- 1.1 On 22 April 2020 cabinet agreed a target cost of £5.6m for the refurbishment of Kidsgrove Sports Centre and to further survey and design work with Willmott Dixon to further define the scope and extent of necessary upgrades to the plant and building to establish a firmer target cost.

- 1.2 The refurbishment and redevelopment of Kidsgrove Sports Centre and Swimming Pool will enable the centre to fully reopen to the public under community management.

2. **Update**

- 2.1 Since May 2020, a series of intrusive surveys have been undertaken to review the pool structure, together with the walls and roofs of the pool hall and sports hall, the equipment to the pool filtration systems and the main mechanical and electrical systems. These surveys have provided much more detail on the building condition, and as such have enabled the cost estimates to be firmed up.
- 2.2 A number of design meetings have taken place with the Community Group, Willmott Dixon and their special leisure architects to review the design and scope of the scheme to achieve the most efficient use of the available space whilst reducing the extent of building works.
- 2.3 Willmott Dixon have now prepared a revised design which the Community Group are satisfied with and have used this design and the output of the intrusive surveys to work up the refurbishment costs accordingly.
- 2.4 The results of the above have resulted in a new design which makes the most of the existing building layout, satisfies the anticipated user requirements and provides the 25 year life span for the building. After providing for realistic budget allowances, overall costs have increased from £5.6m to £5.998m. Attached as Confidential Appendix 1 to this report is Willmott Dixon's RIBA Stage 2 Report which summarises the survey findings and sets out the cost plan.
- 2.5 The Council has been working with partners to secure the funding package to deliver the scheme. As previously reported, this includes contributions from Staffordshire County Council and Sport England. A contribution is also being sought as part of a package of proposals being put forward to Government for Town Deal funding in Kidsgrove. Discussions are ongoing with Sport England with a view to increasing their funding contribution.
- 2.6 The building is owned by Staffordshire County Council and agreement has been reached on all outstanding legal issues and currently work is focusing on the transfer of the building to the Borough Council in October 2020, as well as to effect a Lease to the Community Group upon transfer at completion of the construction works.
- 2.7 The Community Group are actively fundraising for the project, and once this report has been approved by Cabinet, the group will be able to accelerate fund raising activities for both capital and operational grants to assist with the project budgets.

3. **Proposal**

- 3.1 This report seeks Cabinet approval for a supplementary capital approval of up to £400,000 to increase the project budget to £5.998m as a consequence of additional works identified during the intrusive survey works and redesign / re-scoping of the project in consultation with the CIO. This additional funding will be drawn down from the capital programme contingency in the event that external funding contributions sufficient to cover the additional costs cannot be secured.

3.2 The next phase of work, as reported in April 2020 Cabinet Report, will be the detailed design and contract award price build up exercises which will cost a further £403,000, and will be completed in early 2021.

4. **Reasons for Proposed Solution**

4.1 Reopening the facility will address a number of community needs, including:

- The facilities are required to enable activity for health benefits on a localised basis, linked closely to the Council's Sport and Active Lifestyle Strategy;
- The facilities are required for those members of the community that are currently disengaged or inactive;
- The facilities are required for education and extra-curricular needs, given the importance of embedding a life-long activity habit in young people;
- The facilities are required for sport, particularly sports development and talent development aspects;
- The facilities are required for disability sport, including sports development and education links.

4.2 Detailed project appraisal comparing the costs of refurbishment with new build options has identified this proposal as the option that provides best value for money. The proposed design will satisfy user requirements and provide a 25 year life span for a key community asset.

5. **Options Considered**

5.1 In confirming the continued need for the Kidsgrove Sports Centre, the Council has confirmed its understanding of the business and strategic need for the facility, through supply and demand modelling using various sources of information which included: feasibility work; Sports England's Active Places Power website; The Leisure Database Company's health and fitness latent demand modelling; and Sport England's Facility Planning Models for pool water and sports halls, to determine elements of the facility mix that are needed.

5.2 Extensive consultation was also undertaken with key Council Officers and stakeholders to inform the feasibility study and future consideration of management / delivery options. The scope of this consultation included group sessions / one-to-one meetings and telephone-based discussions with key council officers; (operational, finance, leisure, planning etc.), portfolio holders / key Council Members, key user / stakeholder groups such as school representatives, Sport Across Staffordshire & Stoke-on-Trent CSP, Staffordshire County Council and the local Kidsgrove Action Group.

5.3 Consultation discussions explored the needs and aspirations of the local community, any competing facilities that should be considered, the facility mix, the location of the centre, financial and planning considerations as well as suggested service improvements and partnerships that could be established to sustain the centre moving forwards.

6. **Legal and Statutory Implications**

- 6.1 Section 2(1) of the Local Government Act 2000 permits local authorities to do anything they consider likely to promote or improve the economic, social and environmental well-being of their area. That would include the intended provision at Kidsgrove Sports Centre.
- 6.2 As set out in the report, there will be a need to ensure proper and effective agreements are entered into in order to vest the necessary interests in the land and buildings to enable the site to be refurbished and effectively managed once operational. In addition to a lease, there will need to be a management agreement defining the rights and obligations of the various parties which ensures that the council is adequately protected against operating risks. The various contractual arrangements necessary to bring about the refurbishment will have to be undertaken in accordance with the Council's Contract Procedure Rules and Financial Regulations, which allow procurement through the use of frameworks such as SCAPE.

7. Equality Impact Assessment

- 7.1 Leisure has an important contribution to make to the wellbeing of the community. Programmes at the Centre can contribute to economic and social activity; improve the health of residents; bring communities together and introduce an identity; enable groups to represent themselves; develop sport and other skills; and provide opportunities for the voluntary sector and community activity.

8. Financial and Resource Implications

- 8.1 As previously reported, an options appraisal has been completed to compare the value for money offered by refurbishment of the existing Sports Centre and the alternative option of building a new Sports Centre in Kidsgrove. The appraisal has confirmed that the option of refurbishing the existing Sports Centre provides better value for money than the rebuild option with both a lower cash outlay and a lower NPV.
- 8.2 The total capital cost of the project is £5.998m. The cost can be accommodated within the existing approved capital programme, subject to a successful outcome to the bid for advance Town Deal funding. In the event that this external funding cannot be secured, a further contribution of £398,000 will be required from the capital programme contingency. The table below summarises the revised project funding. £2m of this expenditure will be incurred in the 2020/21 financial year and the remainder in 2021/22.

Funding Summary	£ (000)
Revised budget requirement	5,998
Existing 2020/21 Capital Programme allocation	5,600
Supplementary budget approval required	398
Revised Project Funding	
Staffs County Council Contribution	363
Sport England Contribution	100
Original capital programme allocation	3,151
Virement from 2020/21 Capital Programme	1,032
Re-allocation of 2019/20 Capital Programme underspends	704
Use of Capital Contingency	250
Town Deal Advance Works	398
Total	5,998

- 8.3 A project contingency is contained within the overall project budget of c.£6m.

- 8.4 The total expenditure incurred against the capital allocation for the scheme will be monitored and reported to the “Capital, Assets and Commercial Investment Review Group” (CACIRG) as part of the overall Capital Programme.
 - 8.5 As previously reported, there is a potential requirement over the first 5 years of operation of the refurbished centre of between £40,000 based on the CIO business plan and between £168,000 best case scenario and an extreme worst case scenario of £482,000 based on the Councils modelling. In addition to any operating subsidy required the Council’s revenue budget will also bear the cost of 20% of the business rates for the centre estimated at £20k. This level of underwriting is still significantly lower than the operating deficit previously incurred when the Council ran this facility.
 - 8.6 The Council will need to make provision in the MTFS for business rates. The first year of trading will inform whether there is an ongoing requirement for underwriting and if so at what level and this will need to be addressed in future years MTFS.
 - 8.7 It should be noted that based on the business plan submitted by the CIO the centre will incur losses in the first two years of operation and will not achieve a break-even position until year 6 at the earliest. The CIO have requested that the Council provide cash flow funding of up to £100,000 on a draw down basis until such time as the centre achieves a cash positive position. Appropriate agreements will be entered into once the necessary due diligence checks have been completed through the S151 Officer, in consultation with Legal Services.
 - 8.8 The amounts contained in this report (£5,998,000) are exclusive of VAT as the Council can reclaim VAT payments on capital projects.
9. **Major Risks**
- 9.1 Risk has been considered as part of this report and two main specific high risks are included below:
 - 9.1.1 The financial projections supplied by the Community Group are not achieved and the facility runs at either a loss (which the Council has to cover) or closes and the Council takes back possession. The Council will work with the Community Group to support its efforts to maximise income and achieve the projected business plan.
 - 9.1.2 There is insufficient capital budget – A sizeable capital allocation, sufficient to re-open the sports centre, is being resourced by the Council without borrowing and the opportunity for external funding is being explored on behalf of the Council.
 - 9.1.3 Community expectations - it is clear from the latent demand analysis that the community demand is not currently being met. The refurbished sports centre provides the opportunity to address this. However, there remains a risk that commercial leisure operators will enter the local leisure market seeking to capture this demand and in particular the more profitable elements.
10. **Sustainability and Climate Change Implications**
- 10.1 None specific to this report, but the refurbishment will be updated to comply with current building regulations.
11. **Key Decision Information**
- 11.1 This report deals with a key decision on account of the sums involved.
12. **Earlier Cabinet/Committee Resolutions**

12.1 The following previous reports relate:-

- Cabinet 22 April 2020
- Cabinet 18 March 2020
- Cabinet 15 January 2020
- Cabinet 6 November 2019
- Cabinet 16 October 2019

13. **List of Appendices**

13.1 CONFIDENTIAL - Kidsgrove Leisure Centre – RIBA Stage 2 Report (Willmott Dixon)

14. **Background Papers**

14.1 None