

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – 25 JULY 2017**

Title of report	<b>LEISURE PROJECT UPDATE</b>
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	To update Cabinet on the progress of the proposed outsourcing of the running of the Council's current leisure centres and the construction of a new facility on a new site to replace Hermitage Leisure Centre
Reason for Decision	To provide officers with authority to continue the project and confirm, in principle, the preferred site for a new leisure centre.
Council Priorities	Value for Money Business and Jobs Homes and Communities Green Footprints Challenge
Implications:	
Financial/Staff	See sections 3 and 4 of the report
Link to relevant CAT	None
Risk Management	None
Equalities Impact Screening	To be undertaken as part of the project

Human Rights	No implications
Transformational Government	N/A
Comments of Head of Paid Service	Report is satisfactory. The full implications for staff under TUPE will need to be assessed as part of the next stage of the project. A robust communication strategy will be implemented to ensure staff and trade unions are engaged and consulted fully.
Comments of Deputy Section 151 Officer	Report is satisfactory. The indicative affordability model is subject to further financial analysis.
Comments of Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	<a href="#">The Sports Consultancy report</a> <a href="#">(Confidential) October 2016 Cabinet report regarding the sale of Cropston Drive</a>
Recommendations	<p><b>IT IS RECOMMENDED THAT CABINET NOTE AND ENDORSE THE PROGRESS MADE ON THE LEISURE PROJECT TO DATE AND:</b></p> <ol style="list-style-type: none"> <li><b>1) NOTE THE CURRENT INDICATIVE AFFORDABILITY MODEL (APPENDIX 1) AND THAT A MORE DETAILED FINANCIAL APPRAISAL WILL BE PREPARED AND PRESENTED TO CABINET BEFORE ANY FINAL DECISIONS ARE MADE BY COUNCIL;</b></li> <li><b>2) AGREE THAT THE A511 SITE IS THE PREFERRED SITE TO LOCATE A NEW LEISURE CENTRE AND FOR FURTHER INVESTIGATORY WORKS TO TAKE PLACE TO PROVIDE ASSURANCE REGARDING THE DELIVERABILITY OF THE SITE;</b></li> <li><b>3) AGREE TO THE PROPOSED FACILITY MIX FOR A NEW LEISURE CENTRE AS SET OUT IN THIS REPORT AS A STARTING POINT FOR SUBSEQUENT NEGOTIATIONS WITH CONTRACTORS;</b></li> <li><b>4) AGREE IN PRINCIPLE THAT THE PREFERRED PROCUREMENT ROUTE FOR THIS LEISURE PROJECT SHOULD BE A DESIGN, BUILD, OPERATE AND MAINTAIN (DBOM) MODEL;</b></li> </ol>

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|  | <p><b>5) NOTE THAT A FURTHER OPTIONS APPRAISAL WILL BE COMPLETED OF THE EXISTING HERMITAGE LEISURE CENTRE SITE (AS SHOWN IN APPENDIX 5) TO DETERMINE THE MOST APPROPRIATE USE OF THAT SITE ONCE THE NEW FACILITY IS OPERATIONAL; AND</b></p> <p><b>6) NOTE AND ENDORSE THE NEXT STEPS FOR THE PROJECT TOWARDS AN EVENTUAL DECISION OF COUNCIL IN NOVEMBER 2017</b></p> |
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## **1.0 BACKGROUND**

- 1.1 As has previously been reported to Cabinet, Hermitage leisure centre is now reaching the end of its useful and viable life. The centre is approaching 40 years old and was built incrementally over that time period. As such the centre is not efficient and it is inflexible in that it does not allow for the ability for operational change / growth in order to meet current and future demand. This means that the centre and the service already find it hard to accommodate the growing demand for leisure facilities and with the projected housing growth in the area, further investment either in the site or into a new site is inevitable.
- 1.2 Cabinet will be aware therefore that in 2016 the Council commissioned 'The Sports Consultancy' (TSC) to undertake an assessment of the Leisure and Cultural options for the Council. The work of TSC was to pay particular regard to how the Hermitage Leisure Centre options might also contribute to the aims of the Coalville project and improve the regeneration prospects of the town centre whilst also reducing the current subsidy paid towards leisure services which is in the region of £800,000, inclusive of a contribution to internal management costs, per annum.
- 1.3 The conclusions of TSC were that by outsourcing the leisure centres at Hermitage and Hood Park the Council could afford to deliver a new leisure facility in Coalville by leveraging the operational savings and using its prudential borrowing powers.
- 1.4 The anticipated cost of building a new leisure facility in Coalville would be approximately £18 million with the Council able to borrow to pay for the capital spend and in revenue terms not spend any more money than is currently spent on leisure services. The figures will vary depending on the final specification of the building. The type of facility that this would pay for would be regarded as Hermitage-plus, i.e. the new facility will provide an increased provision to not only accommodate current demand but also future-proof the expected increased demand. The facilities projections for the district are already showing a need for increases due to the growing population, therefore this project presents an ideal opportunity to respond to that greater demand.
- 1.5 TSC also considered the potential options available to the Council for building a new leisure centre and concluded that the Bridge Road Car Park should be the preferred location because it was owned by the Council and the potential contribution it could make towards the wider regeneration of Coalville Town Centre.

- 1.6 Cabinet therefore considered a report in July 2016 and agreed to set aside £150,000 towards the project to be spent on exploring the feasibility of the project further, including a period of consultation on the proposals for a new leisure centre. The project has been formally established, a copy of the Project Execution Plan is attached as Appendix 6. To date, £38,804 has been spent on the project. At this stage, given the current recommendations to Cabinet and progress with the project, any further projected costs for delivering a new leisure centre it is anticipated can be met from the existing budget provision.
- 1.7 Since the Cabinet decision in July 2016 the consultation and engagement on the proposals has been focused on the preferred location of Bridge Road car park.
- 1.8 The engagement that has taken place has included;
- Meeting with Whitwick, Hugglescote and Ellistown & Battleflat Parish Councils;
  - Discussing with members of the public at the Christmas in Coalville event;
  - 3 separate 'drop-in' sessions for Hermitage Leisure users during December and January; and
  - Meetings with Hermitage Leisure Centre user groups
  - Open discussion and feedback from the market, i.e. sports and leisure specialists; operators; architects etc.
- 1.9 The feedback can be categorised as follows:
- Strong feedback from Whitwick Parish Council and residents to leave the facility in Whitwick;
  - Strong support from the market in that the scheme presents a real opportunity to not only create a commercially viable facility but also, will act as a catalyst for a wider public health agenda;
  - Many would rather see the Council invest in Hermitage in its current location;
  - Strong support, particularly amongst user groups, for a new, improved leisure facility
  - Strong objection to the selection of Bridge Road as the preferred site;
  - Criticism that the Bridge Road site will be too difficult to access;
  - Lack of conviction that the Bridge Road site will assist with town centre regeneration;
  - There are other, more preferable sites that should be looked at, namely:
    - o Snibston; and
    - o Land off the A511
- 1.10 Therefore, taking account of this feedback, the project has focused on exploring other site options for the leisure centre. This report therefore sets out the current position of the project from a number of different perspectives and re-opens consideration of potential site options.

## **2.0 FINANCIAL IMPLICATIONS**

- 2.1 The original financial modelling that informed the inception of the leisure project was completed by The Sports Consultancy who were then advising the Council on the potential viability of building a new leisure centre for the district. Further work has since been done by the Council and tested by independent experts to refine the affordability model. The updated affordability model is therefore attached as a confidential Appendix to this report

(Appendix 1). Cabinet should note that at this stage, this model is still indicative as some of the costs, such as ongoing pension liabilities are still unknown. As the project progresses and before Cabinet and Council make any final decisions, a more detailed financial model will be developed to ensure that any decisions are taken based on the most robust and accurate information.

- 2.2 Bearing in mind that the affordability model is intended to show what might be regarded as the 'worst case' scenario, it shows that from year 1, based on a number of assumptions built into the model and provided a minimum saving of £200,000 was made from internal corporate recharges, that the project would at least 'break even'. In the context of this project, 'break-even' means the Council spending no more on its leisure centres than it currently spends, albeit the majority of costs under the new project would be directed towards servicing internal borrowing for the financing of the new leisure centre. The affordability model currently does not include any projections in respect of profit share arrangements.
- 2.3 The affordability model also assumes the total cost of the project will be £18 million. £4 million of that cost would be funded from capital receipts, including the sale of key assets such as Cropston Drive and, at this stage, the sale of the existing land for the Hermitage Leisure Centre. Cabinet determined to sell the land at Cropston Drive in October 2016. The site at Hermitage to be disposed is shown on Appendix 5 but any sale would be limited to the site that currently comprises the existing leisure centre only. Furthermore, before any decision on the sale of the existing Hermitage site can be taken, an options appraisal, looking at all potential future options needs to be completed. It is then assumed that the remaining £14 million would be 'borrowed' through the use of internal borrowing. This means that the Council would be using its capital reserves to fund the 'borrowing' and over the lifetime of the project those reserves would be paid back, with interest. The professional advice from the Council's treasury advisers is that this would be the cheapest and most cost effective way of the Council funding this project. It is intended that the next report to Cabinet and the subsequent report to Council will set out in full detail the definitive financial strategy for the project.
- 2.4 At the time of writing this report, whilst requests for detailed pension information have been made to Leicestershire County Council, detailed information regarding additional pension liabilities remain unknown and therefore only assumptions have been built into the financial model. It is possible that a response from LCC is received in between the writing of this report and the actual Cabinet meeting. If so, a verbal update will be provided to Cabinet.

### **3.0 STAFF IMPLICATIONS**

- 3.1 In the event of the Leisure Project proceeding, the directly-employed workforce at both Hood Park and Hermitage Leisure Centres would transfer to a new provider of the Council's leisure service. Typically this would be an existing Leisure Trust or private sector company under the Transfer of Undertakings (TUPE) employment legislation.
- 3.2 Under a TUPE transfer, the employment contracts of the existing employees would be protected and would transfer to the new external provider. Their existing terms and conditions of service would be protected, together with any locally-determined agreements. There would be significant consultation requirements around the transfer

process. It is anticipated that the employee transfer would take place in advance of the opening of the new sports facility to enable a smooth transfer of the Hermitage staff. The transfer would involve 259 employees as detailed in the table below:-

<b>Category</b>	<b>Headcount</b>
Administration	8
Management (including relief managers)	18
Bar people	4
Catering	12
Cleaning	8
Reception	21
Sports and Fitness Delivery	50
Casual workers (all occupational areas above)	138

- 3.3 Some current “Leisure” employees would remain in the employment of the Council, notably those engaged in the provision of Leisure activities in other Centres (such as Castle Donington Community College), the grounds maintenance service and employees engaged in Sports Development work in the communities. The Council will also retain a client/contractor role in managing a new relationship with a new provider. The exact split of those employees directly affected would be determined prior to any transfer to an external provider.
- 3.4 The project team have developed a robust and comprehensive communications and engagement plan which, amongst other matters, is expressly clear in terms of workforce engagement. The team will engage and consult with all impacted staff throughout the entire project and will work to allay any fears that may arise as part of any TUPE process.
- 3.5 TUPE arrangements are governed by law and a defined process will be followed in collaboration with the incoming operator; our HR team and our legal / technical advisors.
- 3.6 It is the duty of the Chief Executive under section 4 of the Local Government and Housing Act 1989 to report to all Members of the Council on proposals relating to:
- (a) the manner in which the discharge by the authority of their different functions is co-ordinated;
  - (b) the number and grades of staff required by the authority for the discharge of their functions;
  - (c) the organisation of the authority's staff; and
  - (d) the appointment and proper management of the authority's staff.

and for the Council to consider that report within three months of that report being issued. Cabinet should note that if (at its meeting on 19 September) it does recommend this

project to Council, the report considered by Council in November in respect of this project shall constitute the reports required by the legislation mentioned above.

### **Pension Considerations**

- 3.7 Approximately 150 of the transferring employees are members of the Local Government Pension Scheme. The Council will be required to comply with the “Fair Deal 1999 and 2004 and The Best Value Authorities Staff Transfers (Pensions) Direction 2007” (the “Direction”) in relation to any of the existing employees transferred to a new provider. Under the Local Government Act 2003 a “best value authority” is under an obligation to have regard to guidance issued by the Secretary of State on matters relating to the employment and pensions of existing staff. In compliance with current guidance, the Council will seek during the procurement process to ensure that all transferring employees continue to have access to the LGPS after they have transferred to the leisure operator.

#### **The Council’s future pension liabilities.**

- 3.8 The TUPE transfer of such a large proportion of the Councils’ workforce to an external service provider will have a future impact on the Council’s employer’s pension costs. The exact implications of the transfer are complicated and will involve an assessment by the actuaries of the Local Government Pension Fund to produce. It is estimated that such a transfer could lead to a material effect (increase) on the Council’s employer contribution. This would amount to an estimated additional cost to the Council of £150,000 per annum and as referred to above, this is the amount currently assumed in the indicative affordability model (Appendix 1).

## **4.0 PROCUREMENT**

- 4.1 All of the options for procuring a new operator and building a leisure centre have been fully considered. In doing so both specialist procurement and legal advice has been obtained. A copy of the detailed assessment provided to the Council by external advisors is attached as Appendix 2. There are a number of delivery options but in essence those options can be distilled to two choices:
- i) Twin Track – This is where the Council designs and builds the leisure centre having procured its own design and build teams. Separately, under this option, the Council would procure an operator to run the leisure centres and they would have some, albeit limited, involvement in the design development of the new centre. Therefore there would be two separate procurement exercises (twin track). This option has the potential to be more cost effective but it does mean the Council carries a higher degree of risk in relation to the construction of the new leisure centre. It would also not necessarily maximise the operational effectiveness of the facility as it would be designed in isolation to the operator that will be contracted to run it.
  - ii) DBOM – Design, Build, Operate and Maintain is the other option. This involves a single procurement exercise to procure an operator who will also design and build the new leisure centre to suit the agreed operational outputs. The market for this is more limited, given the specialist skills and required size of the operator in order to respond to this type of project. However it is the route recommended by Sport England; it is the preferred route as assessed by the project team, and it also

means that almost all of the delivery risk is carried by the operator rather than the Council.

- 4.2 Having fully considered all of these options with input and advice from our external advisers (see attached appendix 2) and consultation with the market, the project team recommend DBOM as the preferred procurement route. The procurement of a leisure operator to carry out a DBOM contract will be undertaken using the Competitive Dialogue procurement process as set out in the Public Contracts Regulations 2015.
- 4.3 The market for public sector outsourcing of leisure services is a mature one, with Sport England providing a standardised procurement toolkit and template contractual documentation. These contain market standard commercial positions which flow from central government guidance on large-scale public sector outsourcing projects but have also been refined for the leisure sector in consultation with local authorities and leisure operators. The resulting documentation contains a risk profile that the industry considers as striking the most appropriate balance between cost and risk allocation. Areas of risk covered include, design, construction, service delivery, responsibility for pre-existing buildings, responsibility for new buildings, surplus sharing, ground conditions, insurance costs and risk of premium changes, pensions, TUPE, termination and its consequences and intellectual property.
- 4.4 The standard Sport England structure includes standard ancillary documents which sit below the main DBOM contract. Most notably, the structure involves the grant of a lease of each leisure centre to the successful leisure operator that is tied to the main DBOM contract.
- 4.5 It is proposed that the Sport England template documentation is used as the basis for the Council's procurement subject to project specific terms being incorporated as required following legal advice.

## **5.0 PREFERRED SITE**

- 5.1 As referred to earlier in this report, feedback to date on the Council's preferred Bridge Road site has been almost unanimously negative. The principal concerns have been:
- Access into and out of Coalville town centre, particularly at peak times;
  - Access and egress to the site;
  - Very little room for potential future expansion of a leisure centre; and
  - Limited value to the town centre of linked trips to / from the leisure centre
- 5.2 As a result of this feedback, other potential sites have been examined.
- 5.3 This report therefore revisits the sites previously considered by The Sports Consultancy as well as two others sites now suggested for inclusion through the engagement that has taken place. Those additional two sites are: Snibston and land off the A511.
- 5.4 Each of the sites has been re-evaluated although this time the evaluation has primarily focused on the merits of the sites for delivering a leisure focused project rather than trying to assess each site's potential contribution to the Coalville town centre regeneration. The table setting out the evaluation of the sites is attached as Appendix 3.



- 5.5 What this table shows is that the A511 site scores better across the range of criteria comparison to all other sites.
- the site is in the ownership of the Council with no acquisition costs;
  - the site has significant capacity for the required facilities and also future potential for expansion if required;
  - it is very accessible for cars, coaches and service vehicles with significant space for car parking;
  - it is in a very visible location off a major arterial route, close to Stephenson's College with potential for dual use opportunities; however
  - access by bus, walking and cycling would need to be considered/enhanced.
- 5.6 Members should be aware that as this exercise shows, whilst the A511 site is clearly the next preferred location, the site is not entirely straightforward. The site is currently allocated in the adopted Local Plan as Green Wedge and is proposed for inclusion in the emerging Local Plan as part of the Area of Separation (AOS) between Coalville and Whitwick. However, the AOS policy does include a provision to allow leisure uses and therefore having consulted with the Council's Head of Planning and Regeneration, Cabinet is advised that in principle a new leisure centre on the AOS is permitted by policy.
- 5.7 In order to fully establish the suitability of the A511 site, a detailed assessment of the site will need to be undertaken. It will be necessary to conduct a series of intrusive ground investigations; ecological assessments; traffic surveys and other investigatory works to help inform the design development process moving forward. At this stage, before any final decision is made, it will be important to understand any site challenges / opportunities before we commit the Council to this site. Therefore should Cabinet agree the recommendations of this report, those additional investigations will be undertaken ahead of a further report to Cabinet in October and a final report to Council which is scheduled for November 2017.
- 5.8 In order to establish that a leisure centre can be accommodated on the site, an initial assessment has already been conducted including a review of historic planning matters that may impact on site viability. In summary:
- As part of the design development process we would need to liaise closely with the coal authority
  - A financial contribution and/or some considered tree planting would be required given its National Forest status. Suitable mitigation measures will need to be implemented as part of the project
  - The areas of the site within close proximity to the A511 are at risk of flooding. This is not unexpected and the designs will need to accommodate this accordingly, in consultation with the County Council (as lead flood authority)
- 5.9 It is not considered that any of the factors mentioned above are insurmountable. An indicative plan to show how the leisure centre may be configured on this site is attached at Appendix 4.
- 5.10 As a result of the further investigations, Cabinet are now advised that the most suitable site to accommodate a new district leisure centre is that of land on the A511 (Appendix 5). Whilst this site sits within the Area of Separation between Coalville and Whitwick, the planning position is clear that in principle a leisure use would be permitted. Furthermore,

much of the feedback already received about this site suggests that there would be considerably more support for such a community lead use on the site than on the previously preferred site at Bridge Road car park.

## **6.0 FACILITY MIX**

- 6.1 The Sports Consultancy in their report, through a comprehensive assessment of current and likely future demand, proposed a suggested facility mix for a new centre in Coalville. Following consultation and engagement, this has been revised to include:

- 8 court sports hall
- 8 lane x 25m pool
- 15m x 8.5m learner pool with moveable floor
- 150 station health and fitness suite
- Multi-activity studio, large enough to be sub-divided to 2 x separate rooms
- 1 spin studio
- 3 squash courts
- Vending area(s)
- Café / bar
- External area for 250 car park spaces

- 6.2 The project is therefore currently proceeding using this suggested mix as a starting point for negotiations with contractors although the exact facility mix may be amended as part of those negotiations with the preferred operator to help ensure the leisure centre is fit for purpose and is operationally as effective as possible

## **7.0 THE EXISTING HERMITAGE SITE**

- 7.1 As referred to earlier in this report, the affordability model for delivering a new leisure centre for the district currently assumes that the Council would dispose of the existing Hermitage site. When referring to the existing site, this means the site containing the existing leisure centre and associated car parking. However before a decision can be made to dispose of the site, there are a number of considerations for the Council. For example, the Council could choose to dispose of the site and specify the uses that it could only be used for in the future. Equally the Council could retain some of the land for community uses or car parking. Obviously all of these options would come at a cost and potentially impact on the affordability of the overall project.

- 7.2 At this stage in the project, it is too early to recommend what the eventual use of the existing Hermitage site should be. Instead a full options appraisal, including a financial appraisal, will be completed and reported back to Cabinet at the next reporting stage of the project. In the meantime, the Council will use the forthcoming consultation and engagement, over the coming months to engage with local communities to ensure their input into the options appraisal.

## **8.0 PUBLIC HEALTH / SPORTS INCLUSION**

- 8.1 Public leisure facilities and their operation have a key role to play in supporting the Council to deliver its public health objectives, directly supporting action to address health and

wellbeing in Coalville and the wider District. The provision of a new, modern and future-proofed facility is intended to broaden and widen participation in sport and leisure, particularly amongst children and families who might not otherwise participate in structured forms of sport and leisure.

8.2 This project has an opportunity to address social challenges, promote active lifestyles, increase physical activity, reduce isolation and improve outcomes for individuals and communities. Alongside this project there will be a programme of inclusive engagement to help maximise the opportunities for engaging in sports / activity generally and, in concert with the prospective operators, the project team will ensure health equality / sports inclusion is a key driver behind the project.

8.3 The latest Health Profile for Leicestershire as a County, prepared by Public Health England, suggests the following:

8.3.1 the proportion of adults in North West Leicestershire who are classed as obese is 25%; this is slightly higher than the national average of 24%

8.3.2 The level of obesity in children within the District (16.2%) is lower than the national England Average of 18.7%

8.4 There is a real opportunity as part of this project to establish a Health and Wellbeing Strategy to help focus the Council's approach to tackling inequalities that will improve the health, wellbeing and life chances of North West Leicestershire people.

8.5 It is anticipated that the provision of the new facility will further contribute to widening and increasing participation in sport and active recreation, thereby also contributing to health and wellbeing outcomes for local people.

8.6 The project team will:

- keep all stakeholders well informed about the process and progress with the project
- allow stakeholders to have input into the process
- ensure accurate and timely information is provided to stakeholders and the wider public
- raise awareness of the council's role and leadership as we look at future options for leisure provision, to support the local economy with a centre that is affordable and accessible for all
- engage with key partners and stakeholders to ensure their positive support and contribution to the work, such as Sport England and NGBs
- ensure that the new leisure centre is promoted as part of the wider offer for Coalville and North West Leicestershire
- be clear that there will be no loss of provision as the new centre is being built; Hermitage Leisure Centre will remain open until the Coalville centre is built

## **9.0 NEXT STEPS**

9.1 This report is placed before Cabinet as an update to the overall leisure project and to seek the agreement of Cabinet to continue with the project. Subject to Cabinet endorsement of

this report, additional work will be undertaken over the next 2-3 months to look at the suitability of the A511 site for accommodating a new leisure centre. During that same period, additional public engagement will also take place to ensure that the final Council decision takes account of all stakeholders' views and opinions where appropriate.

9.2 It is therefore proposed, subject to Cabinet agreement that a period of consultation will include:

- Further meetings of the cross-party Member Reference Group;
- A special meeting of Policy and Development Group in August 2017;
- Attendance at relevant Parish Council meetings;
- Media and social media discussions and debates on the proposals.

Following this consultation, Cabinet will be asked to make their final recommendations to Council on 17 October 2017. Assuming Cabinet are content at that point, Council will be presented with the proposals for final decision on 21 November 2017.

9.3 Subject to Council agreement, procurement works will commence immediately thereafter via an OJEU (Official Journal of the European Union) compliant tender process with an appointment of a 'preferred bidder' by November 2018. It is likely that, once contracts are signed, works will start on site early 2019 and whilst the completion date is subject to the size / complexity of the building, it is suggested that an 18 month build programme be allowed with a new centre completed by mid 2020.