
Leisure Centre Capital Programme - Adding and finalising the agreed Leisure Centre improvement programme to the Corporate Capital Programme

Decision to be taken by: Deputy City Mayor

Decision to be taken on: 1 October 2020

Lead director: Ivan Browne

Useful information

- Ward(s) affected: Aylestone, Belgrave and Evington
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- Report version number: DV4

1. Summary

- 1.1 An increase to the 2020/21 capital programme of £1.071m is recommended to reflect the final expected cost of £2.885m to upgrade the three leisure centres at Cossington, Evington and Aylestone. The existing capital programme includes £1.814m based on cost estimates which are 2 years old and with a specification that did not include improvements to changing facilities.
- 1.2 The refurbishment and expansion of the three centres was originally intended to be wholly funded through prudential borrowing as a result of increased gym and swim membership subscription income. The impact on COVID19 will delay the potential to fully utilise the new health and fitness facilities created through this investment. Therefore, it is recommended that the increase to the capital programme be funded from corporate capital resources, at least until such time as the service can operate as normal with full capacity for customers to use the new facilities and generate the growth in membership and income.

2. Recommendations

- 2.1 Adjust the 2020/21 corporate capital programme to reflect the final expected cost of £2.885m to refurbish and expand the three leisure centres at Cossington, Evington and Aylestone.
- 2.2 Due to the COVID 19 pandemic and the resultant delays in returning to full operating capacity it is recommended that the addition to the capital programme be funded from corporate capital resources rather than prudential borrowing.

3. Supporting information

Background

- 3.1 The capital programme for 2018/19 included an upgrade programme for Cossington, Aylestone and Evington Leisure centres was provided in 2016 by FMG Consulting, a UK sport and leisure management consultancy, as part of a service appraisal and strategy development task. Their costings were modelled on an average cost/m² to develop the designated sports areas did not include consideration of improvements to ancillary areas such as changing facilities. The £1.814m cost was to be funded through prudential borrowing and paid back by the service based on the additional membership revenue that the programme would help to generate.

- 3.2 In June 2019 the Council's Executive considered a report that compared the cost estimates from two feasibility studies. Arcadis estimated cost was £3.8 million and a specialist leisure company estimated the cost was £2.8 million for completion of the three schemes (costs include fitness equipment fit out).
- 3.3 The Executive advised Officers to proceed with developing all three schemes with the external leisure contractor based on the estimated cost of £2.8 million. Subsequently, the leisure contractor was appointed to undertake the next stage to produce detailed plans, specifications and cost certainty for the three schemes.
- 3.4 Capital work commenced on site at Cossington in February 2020, and despite the impact of COVID 19 the contractors have been able to continue to work on site (with no additional Covid cost) and the scheme is scheduled to be completed by the end of August. The Aylestone Leisure Centre scheme commenced 29 June 20 and is planned to be completed on 28 September 2020 with no additional Covid cost.
- 3.5 The Capital scheme for Evington Leisure Centre required planning permission which delayed the start of the project and contract signing. Moreover, the impact of COVID has meant that a review process has had to be conducted by all parties to ensure the contract considers any revised cost or risk before being agreed and signed by all parties. As a result, the revised cost has increased by £62k due to higher material and delivery costs, the impact of workforce social distancing with a planned start date on 1 September 2020. In addition, a contingency of £34.5k is required if a second COVID wave causes further delay or a temporary halt to the site works. The contingency would be held by the council and not used if a second wave did not occur.
- 3.6 These costs have been subjected to a due diligence exercise by the EBS Cost and Commercial Manager who is satisfied that the additional costs are fair and reasonable.
- 3.7 The final expected cost for the three centres is now expected to be £2.885m, the increase cost is attributable to the effects of the Covid pandemic on the works.
- 3.8 The original intention was to fund the schemes through prudential borrowing paid for by the increased income generated from improved membership income at the new facilities. The impact of the COVID pandemic will mean a substantial delay before the centres return to the expected level of patronage. Therefore, it is recommended that the additional capital costs are funded from corporate capital resources from the 2020/21 capital programme, at least until such time as the centres are operating at normal levels.

4. Details of Scrutiny

- 4.1 On the 20 August 2019 the Heritage, Leisure, Culture and Sport Scrutiny meeting received a presentation from the Head of Sports Services updating Scrutiny on progress in delivering the recommendations from the Sports Services Review that was approved in May 2018.

4.2 Officers have presented updates and progress reports to Scrutiny meetings on the leisure centre capital programme on all three schemes.

5. Financial, legal and other implications

5.1 Financial implications

5.1 The capital programme currently includes £1.814m for the upgrade to the three centres at Cossington, Aylestone and Evington. The schemes were to be wholly funded by prudential borrowing to be paid for by extra income from the centres as a result of the investment. The impact of COVID 19 on the full year income of sports services as whole is uncertain but will be significant. Whilst some of the lost income can be dealt with by the additional COVID related funding from government, the rate of return to normal operating patronage is uncertain and the revenue budget impact is being reviewed separately.

5.2 Given the uncertainties over the income position of the service it has been recommended that the additional costs to complete the projects of £1,071m be funded from corporate capital resources in 2020/21 rather than add to the existing prudential borrowing repayment burden for the service.

Martin Judson, Head of Finance

5.3 Legal implications

5.4 The Leisure Contractor was appointed under the UK Leisure Framework which was developed and tendered under EU Procurement procedure by Denbighshire County Council. This framework is available to all LA's and Trusts; the use of has been agreed with LCC Legal and Procurement teams.

Seema Patel

5.5 Climate Change and Carbon Reduction implications

5.6 The planned improvement works include meeting or exceeding thermal insulation levels and reducing power consumption where possible.

5.7 Equalities Implications

5.8 The proposed schemes expand the current provision which allows full accessibility and therefore has no impact to the Equalities Implications. The proposals provide additional accommodation which will offer a wider range of fitness opportunities for discreet group usage.

6. Background information and other papers:

None

7. Summary of appendices:

None

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

Yes

10. If a key decision, please explain reason

The cost increase of the 3 schemes is more than £1m above the approved capital programme budget.