
Executive Decision

Leisure Centre Capital Programme Phase 2

Decision to be taken by: City Mayor

Decision to be taken on: 27 October 2021

Lead director: Ivan Browne

Useful information

- Ward(s) affected: North Evington, Saffron, Braunstone Park & Rowley Fields
- Report author: Andrew Beddow/Derek Jinks
- Author contact details: Andrew.Beddow@Liecester.gov.uk
- Report version number: v4

1. Summary

- 1.1 This report sets out the planned Phase 2 Leisure improvement programme building on the success of the completed Phase 1 programme.
- 1.2 To seek approval for Phase 2 at a capital cost of £1.94m which will improve facilities at Spence Street, Braunstone, and Aylestone Leisure Centres. To note that, dependent on the funding strategy, an increase to (net) revenue income is anticipated of circa £276k to contribute to the council's budget strategy.
- 1.3 To release the £1m policy provision in the current capital programme and request a further addition to the programme of £0.94m to fund the proposed programme.
- 1.4 To note the successful Salix bid of £213,676 to undertake new insulated roof, new LED lighting and Photovoltaic roof panels at Spence Street.
- 1.5 To note how the investment will contribute to reducing the service subsidy whilst contributing to increasing activity levels and addressing health inequalities across the city.

2. Recommended actions/decision

- 2.1 To approve phase 2 of the Leisure Improvement Programme at Spence Street, Braunstone and Aylestone leisure centres with an estimated cost of £1.94m.
- 2.2 To note, in addition, the recent government Salix grant approval (£213,676), for energy efficiency measures at Spence Street gym which will be co-ordinated as part of this scheme. Subject to completing the Salix work by March 2022.
- 2.3 To approve the release of £1m of policy provision for sports expansion in the current capital programme to progress the Spence Street scheme.
- 2.4 To approve an addition to the capital programme of £0.94m from corporate resources to fully fund the Phase 2 schemes.
- 2.5 To note utilising the National Leisure Framework to develop the Phase 2 schemes.
- 2.6 City Mayor/Deputy Mayor to note the progress and seek approval to progress phase 2.

3. Scrutiny / stakeholder engagement

- 3.1 Scrutiny committee have received progress reports on Phase 1 capital programme.

4. Background and options with supporting evidence

4.1 Prior to the COVID pandemic, Sports Services reported that it was on track deliver Spending Review target savings of £1.2 million per annum. This had been achieved via a transformation programme aimed at modernising the service, driving down expenditure and increasing income across the core business areas.

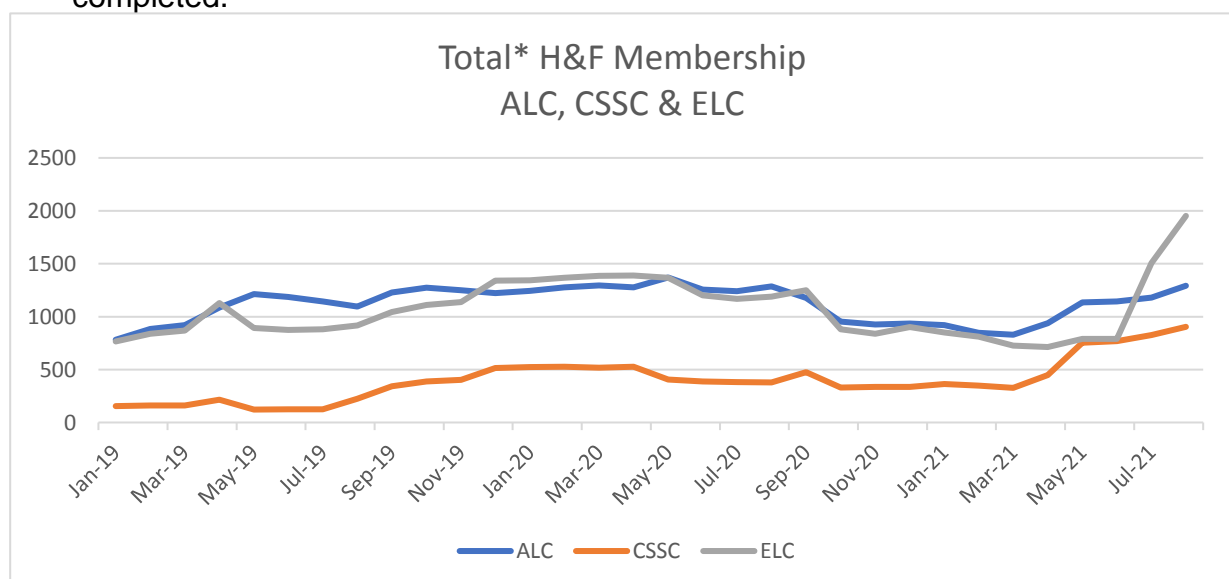
4.2 Phase 1 capital improvements to Cossington Street (CSSC), Aylestone LC's (ALC) and Evington LC (ELC) of £2.8m have been successfully completed by Alliance Leisure (ALS) under a National Leisure Framework design and build process. The refurbishment and modernisation schemes have delivered significant improvements in health & fitness membership sales when comparing year-on-year performance as follows:-

4.3 The overall performance of Phase 1 schemes against the original business case is summarised in the table below as of 16th July. Note that Cossington has achieved business case for direct debit (DD) health and fitness (H&F) members in under one year, with Aylestone and Evington forecast to come through target over the coming months.

	Direct Debit H&F Member Business Case	Direct Debit H&F Member Current	Variance
Aylestone	992	969	(23)
Cossington	600	714	114
Evington	975	816	(159)
Total	2,567	2,499	(68)

4.4 The lockdown closure periods of leisure centres have impacted on membership with a 35% reduction on pre-Covid levels.

4.5 However, the leisure centres receiving the Phase 1 investment have pushed back against this trend and the gyms are starting to show early signs of a bounce back after the pandemic. It is anticipated that Phase 2 should have a similar impact once completed.



- 4.6 The sector predicts that leisure centre membership will recover to 80% of pre-Covid levels over the next 12 months, with full recovery taking around 2 years. Therefore, the Phase 2 gym expansions would be set to open around summer 2022 at a point of full trading for the sector.
- 4.7 Phase 1 schemes were jointly managed by EBS and Sports Services and, following a recent review of the procurement route and outcomes, EBS have endorsed this process for the planned Phase 2 schemes.
- 4.8 The Lead Member for Sport has previously received reports on the potential for further leisure centre projects as Phase 2. This report provides information on the outcome of the feasibility work and initial costs of the three schemes to move these projects forward to the next stage.

Leisure Centres - Health and Wellbeing Hubs

- 4.9 The leisure centres are well placed to compliment local healthcare venues and provide help and support to local people to receive advice, guidance, and support. Leisure Centres work closely with Livewell, the integrated lifestyle service, by ensuring clients are able to access the leisure centres to support their exercise programmes over a prolonged period of time.
- 4.10 The capital investment will enhance further the contribution of the council's leisure centres in increasing physical activity levels and improving health. Public Health and Sports Services have been working closely in developing the concept of leisure centres as wellbeing hubs that are able to expand the lifestyle treatment and prevention programmes offered and provided at the leisure centres such as Cardiac rehabilitation, exercise referral etc.

Addressing Health Inequalities

- 4.11 There are significant health inequalities in relation to smoking, obesity, physical inactivity and diet according to age, gender, ethnicity and socio-economic status. In particular, those living in the most disadvantaged areas have significantly higher levels of smoking and obesity, are more likely to be inactive and have poorer diets.
- 4.12 Poor health resulting from lifestyle choices impacts not only on length of life but also length of healthy life. This translates into costs not only for the NHS but also ultimately for the Local Authority.
- 4.13 Many of the poor health related outcomes experienced by Leicester residents as a result of unhealthy lifestyle behaviours, are preventable. The investment will enhance and improve local opportunities in key areas of the city for people to access local modern, welcoming and supportive facilities and services aimed at helping people to become active and adopt a healthy lifestyle.
- 4.14 Public Health and Sports Services are currently working in partnership with the National Association of Primary Care (NAPC) to develop and implement a population health approach using an evidence based care model design in a target area of the city that supports both primary and secondary prevention in patients. The potential to 'link and lock' the local leisure centre into local health care

prevention system working with local partners will developed and explored as part of this work being undertaken with the NAPC.

Increasing participation - Active Leicester

4.15 Increasing participation in sport, exercise and physical activity is the overarching aim of 'Active Leicester', the City's Sport and Physical Activity Strategy 2017 – 2022. As part of the development of a new 5-year strategy, currently being developed, the investment in the three centres will help contribute to the existing and new emerging strategy for sport and physical activity.

5. Phase 2 Redevelopment Projects

5.1 Phase 2 is planned to undertake the following improvements -

Spence Street Sports Centre (SSSC) – see Appendix 2 A & B

- refurbish and increase gym capacity to 70-station gym
- create new studio
- create new toilets and changing
- provide secure access control

Braunstone Leisure Centre (BLC) – see Appendix 3 A & B

enlarge the existing gym into ground and first floor areas (made available from the office hub relocating to Aylestone)

- increase capacity to 90-station gym

Aylestone Leisure centre (ALC) – see Appendix 4 A & B

- re-align reception area including secure access control
- covert Ancillary Hall into a dedicated group exercise studio

5.2 All the proposed schemes are planned to extend capacity, improve facilities, continue to improve overall financial income, and drive down the service subsidy.

6 Return on Investment

Spence Street Sport Centre (SSSC)

6.1 See **Appendix 5** for SSSC Return on Investment Summary.

6.2 The current performance of SSSC shows significant scope for improvement, a review of building condition and industry benchmarks highlight the following:

- The existing sports hall and gym building at SSSC is not fit for purpose. In addition to the limited product, the building is in a poor condition with a leaking roof and a backlog of maintenance.
- Pre-Covid SSSC operated at a significant financial loss of approx. £225k p.a. Although management have driven down expenditure over the past year to improve net performance. The health & fitness product at SSSC requires

investment to address SSSC's income performance and deliver a more sustainable leisure centre.

- A recent latent demand study commissioned by Sport Services in early 2019 through the Leisure Database Company indicated potential growth within the local area of SSSC. **The study forecast the potential of a net increase of 500 members through a 60-station gym expansion.** The aim for SSSC would a 70-station gym given the space available.
- The Equipment: Member ratio at 25, shows the potential of what a 70-station gym would achieve in terms of membership base. This is in line with the public sector/leisure trusts that will operate at approx. 25 – 30 members for each station of gym equipment.
- It is forecast that by year-2 the gym development at Spence Street would deliver an additional £144k net performance per year. This is based on the forecast of achieving 1100 direct debit H&F members by year-2 of SSSC development.

Table below shows the projected monthly increase in membership over the 12-month period at Spence Street.

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
SSSC H&F Members	380	580	680	780	820	870	920	970	1020	1070	1100	1100

Braunstone Leisure Centre (BLC)

6.3 See **Appendix 6** for BLC Return on Investment Summary.

6.4 The current performance of BLC shows significant scope for improvement, a review of current capacity challenges and industry benchmarks highlight the following:

- The existing gym at BLC is currently at capacity, with the Equipment: Member ratio of 43 well above the industry benchmark of 25 – 30 members for each station of gym equipment. This shows the need to expand the gym offering.
- The risk of not expanding and reacting to capacity issues may lead to cancellations from existing members due to not being able to access equipment at peak times.
- Pre-Covid BLC operated at a significant financial loss of approx. £320k. Although management have driven down expenditure over the past year to improve net performance, the health & fitness product at BLC requires expansion to deliver a more financially sustainable leisure centre for the future.
- A large proportion of gym equipment at BLC has not been replaced since opening in 2004. Gym equipment within the industry should be renewed every 5-8 years, therefore the majority of BLC gym equipment is outdated and replacement is required.
- The offices for Sport Services at Braunstone take up prime space that could be utilised through gym expansion, the changing landscape of working in a new way provides a good opportunity for the service to down size its office space and convert this to gym space.
- The refurbishment of reception, studio and the meeting room at Aylestone to deliver office space for the hub would facilitate the Braunstone project. While providing much needed improvements to the current first impression for customers at Aylestone Leisure Centre.

- It is forecast that the gym development at Braunstone and front of house improvement work at Aylestone would deliver net improvement of £132k per year. This is based on the forecast of achieving 2880 direct debit H&F members by start of year 2 of BLC development.
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	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
BLC H&F Members	1869	1969	2069	2169	2269	2369	2469	2569	2669	2769	2869	2880

7. Estimated costs

The ALS feasibility study has indicated the following outline estimated costs.

Location	Works and Fees £	Contingency at 7.5% £	EBS fee at 3% £	Equipment £	Total £
Spence St SC	765,100	57,400	24,700	150,000	997,200
Braunstone LC	433,000	32,500	14,000	150,000	629,500
Aylestone LC	284,000	21,000	9,000	0	314,000
Totals	1,482,100	110,900	47,700	300,000	1,940,700

7.1 The above estimated costs include cost certainty fees to undertake detailed design by specialist teams and contractor based on the sports services brief.

7.2 Under the framework ALS are aware that acceptance to undertake the cost certainty process does not mean they will be approved to deliver the project; the council has the option to terminate without penalty at that point. Phase 1 improvements were undertaken utilising this process with the cost risk transfer working as intended: with only minor client changes amending the final costs.

7.3 In addition, Salix grant funding of £213k, has been approved at Spence Street SC gym for energy efficiency measures. This includes a new roof, PV panels, insulation, and LED lighting which has reduced the above costs these works will be co-ordinated with the Phase 2 capital works. These works need to be completed by end March 2022 if we are to utilise the Salix funding and combine the two schemes at Spence Street.

8. Financial, legal, equalities, climate emergency and other implications

8.1 Financial implications

8.1 As indicated in the report, our leisure centres have seen significant reductions in current health and fitness members during the COVID lock-down periods. For example, at Spence Street and Braunstone current membership for health and fitness is 55% and 64% of pre-COVID levels.

8.2 The sector has indicated that there will be a slow return to pre-COVID membership and attendance levels over the next year or so. This report is proposing an

investment of £1.94m to carry out building works to allow the expansion of current facilities. At Spence Street this will lead to a 204% increase in capacity leading to a substantial increase in membership. At Braunstone the expansion is more modest but enable pre-COVID membership levels to be more sustainable and to allow for some growth.

- 8.3 The growth at Spence Street is underpinned by a previous latent demand study. At Braunstone the more modest increase in membership is based on providing the extra equipment to existing and new members.
- 8.4 There will be additional operating costs of the expanded fitness facility at Spence Street as there are currently no fitness instructors on site.
- 8.5 Details of the additional income and costs at both sites are included in Appendix 5 and 6. Overall net additional income is estimated to be £276k pa on a full year basis. The investment costs of £1940k include works at Aylestone which will not generate any additional income. The payback period of this investment (including Aylestone) is 7 years which is the life span of the gym equipment. The membership rate of £20 per month is very competitive compared to commercial operators.
- 8.6 £1m is currently included in the capital policy provision for future sports expansion works, leaving a shortfall of £940k compared to the estimated total scheme cost. The £940k scheme could be funded either by an addition to the existing capital programme or potentially through prudential borrowing. Prudential borrowing costs would be approximately £130k pa over a 20-year period. Whilst the service could sustain this level of debt servicing costs, the alternative would be to fund through the council capital programme and then adjust the revenue budget accordingly when the full impact of the expanded facilities has been realised. This would give the service some further flexibility in terms of being able to deal with the post COVID transitional period and return to pre-COVID usage. The service already has a substantial debt servicing cost of £170k pa to pay back on the phase one capital works.

Martin Judson, Head of Finance

8.7 Legal implications

The National Leisure Framework has been considered previously and, subject to formal agreement in accordance with the Constitution and confirmation that the process for calling off proposed is compliant, there will be no barriers to its use. It should be noted that nationally we are seeing a significant increase in costs of materials and goods and in addition, contractors are pricing in more risk. This may be reflected in the tender returns under the Framework.

Emma Jackman, Head of Law (Commercial, Property & Planning)

8.8 Equalities implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and

those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

There are opportunities under the proposal to achieve positive equalities outcomes- in particular to meet the second two aims of the PSED (advance equality of opportunity and foster good relations).

The proposal and investment aim to enhance and improve local opportunities in key areas of the city for people to access local modern, welcoming and supportive facilities and services aimed at helping people to become active and adopt a healthy lifestyle. The work to make physical improvements has the potential to have equalities impacts, either positive or negative, dependent upon whether accessible/ inclusive design principles are adhered to.

In order to demonstrate that the consideration of equalities impacts has been taken into account in the development of the proposals and as an integral part of the decision making process, it is recommended that an Equalities Impact Assessment is undertaken.

Surinder Singh, Equalities Officer, Ext 37 4148

8.9 Climate Emergency implications

Following the city council's declaration of a Climate Emergency in 2019, and its aim to achieve carbon neutrality, addressing the emissions from its buildings is a vital part of the council's work to reduce carbon emissions. Leisure Centres are one of the largest sources of emissions from gas and electricity consumption within the council, with the three leisure centres mentioned within this report responsible for 1,426 tCO₂e in 2019/20, 7.3% of the council's recorded emissions in that year.

As such, the Salix works outlined within this report will have a significant positive impact in terms of tackling these emissions from Spence Street, as well as reducing energy costs. The works proposed within this report should also consider any opportunities to increase energy efficiency and reduce carbon emissions. This could include the procurement of energy efficient gym equipment, use of sustainable materials and recycling of waste and installation of measures such as LED lighting and improved insulation as part of refurbishment works if relevant and applicable. A toolkit is also being developed to support the achievement of reduced carbon emissions in council capital construction and renovation projects.

Aidan Davis, Sustainability Officer, Ext 37 2284

8.10 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

In the context of the impending Strategic Review of Leisure centres it is anticipated that the Phase 2 schemes reflect the probable long-term retention of Braunstone and Aylestone centres. Any significant change or possible replacement of Spence Street could be towards

the end of the 25-year review, therefore, investment at this stage is cost effective and assist in reducing the service subsidy.

9. Background information and other papers:

None

10. Summary of appendices:

None

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

No

12. Is this a “key decision”? If so, why?

Yes. Expenditure exceeding £1m is proposed which has not been specifically approved by Council.

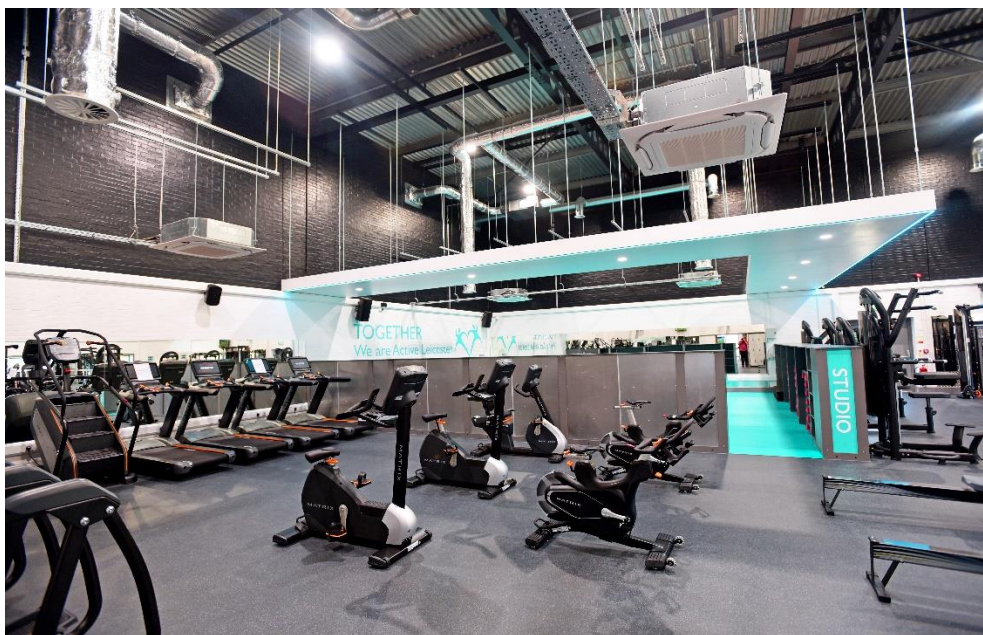
Cossington Street SC. Health & Fitness – Transformation. Appendix 1



PREVIOUS
SPORTS HALL

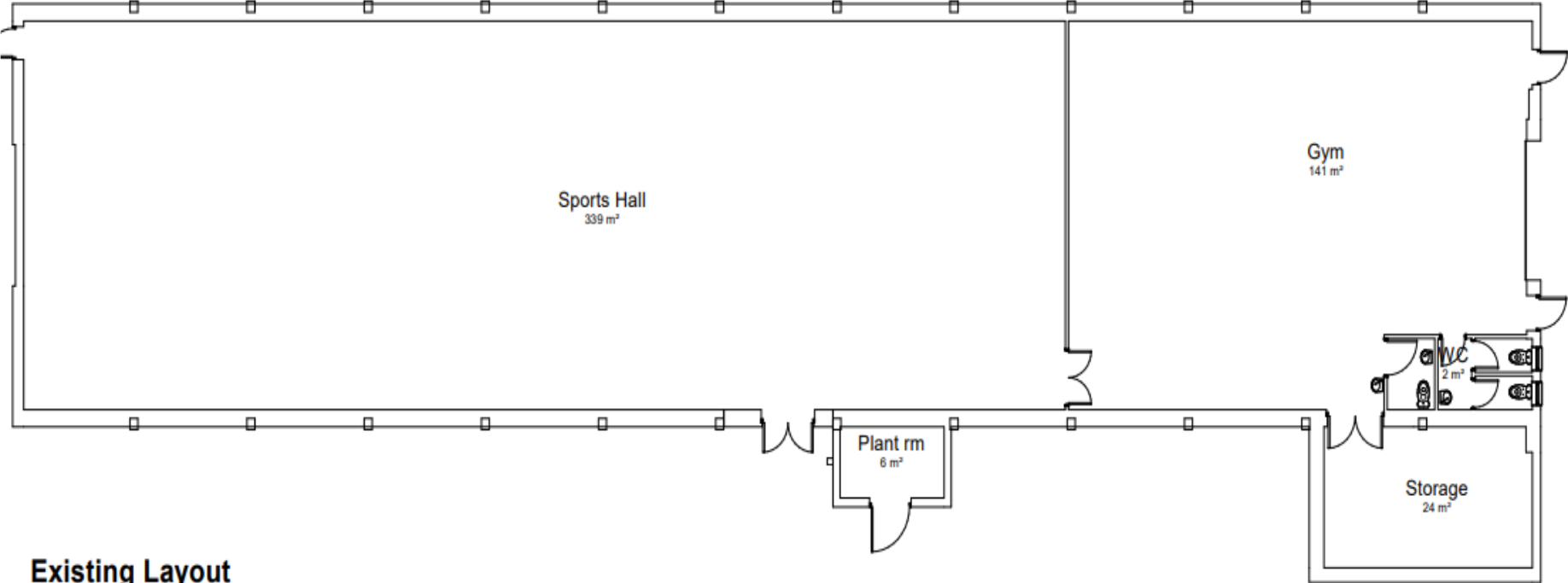


UPGRADED SPORTS HALL – NEW GYM & STUDIO



SPENCE STREET SPORTS CENTRE - GYM

Appendix 2A

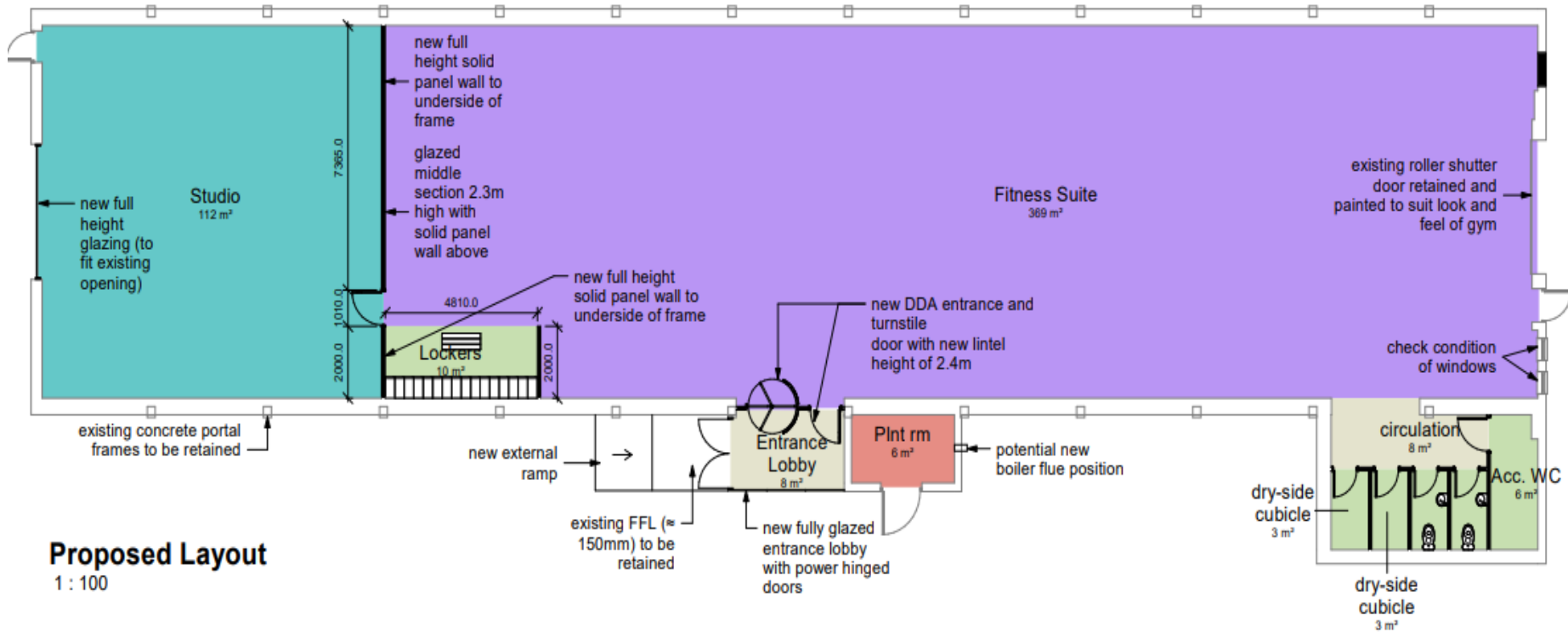


Existing Layout

1 : 100

SPENCE STREET SPORTS CENTRE - GYM

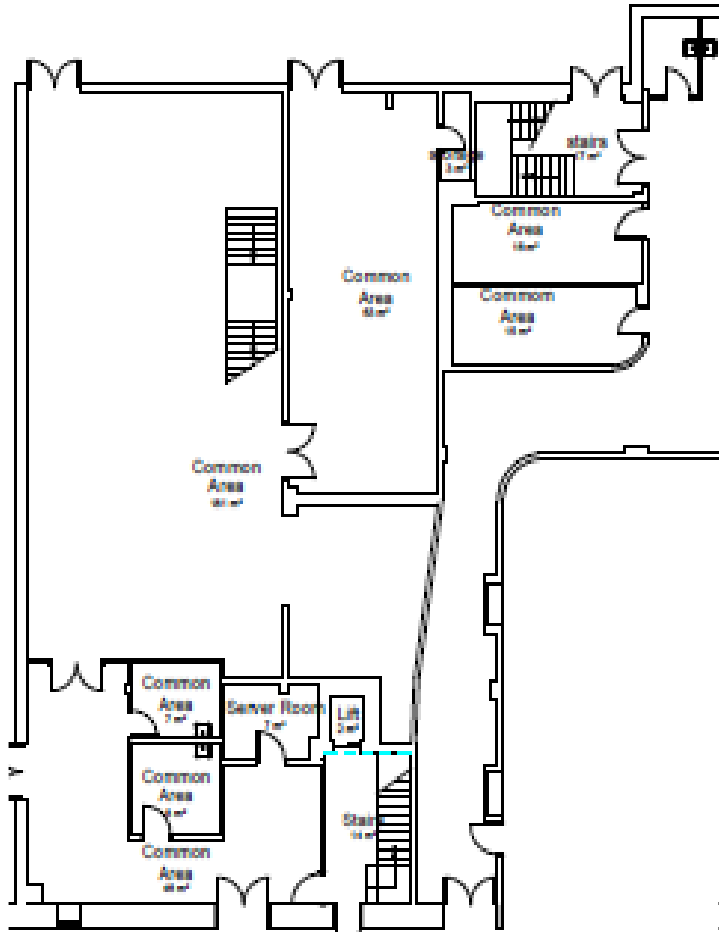
Appendix 2B



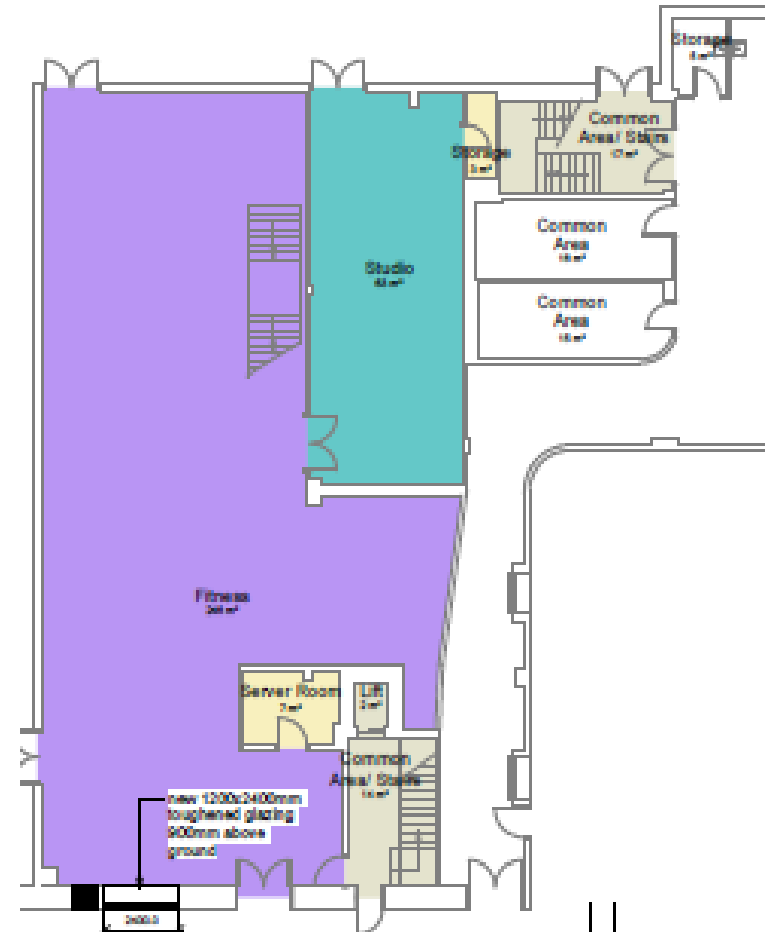
BRAUNSTONE SPORTS CENTRE - GROUND FLOOR GYM

Appendix 3A

EXISTING



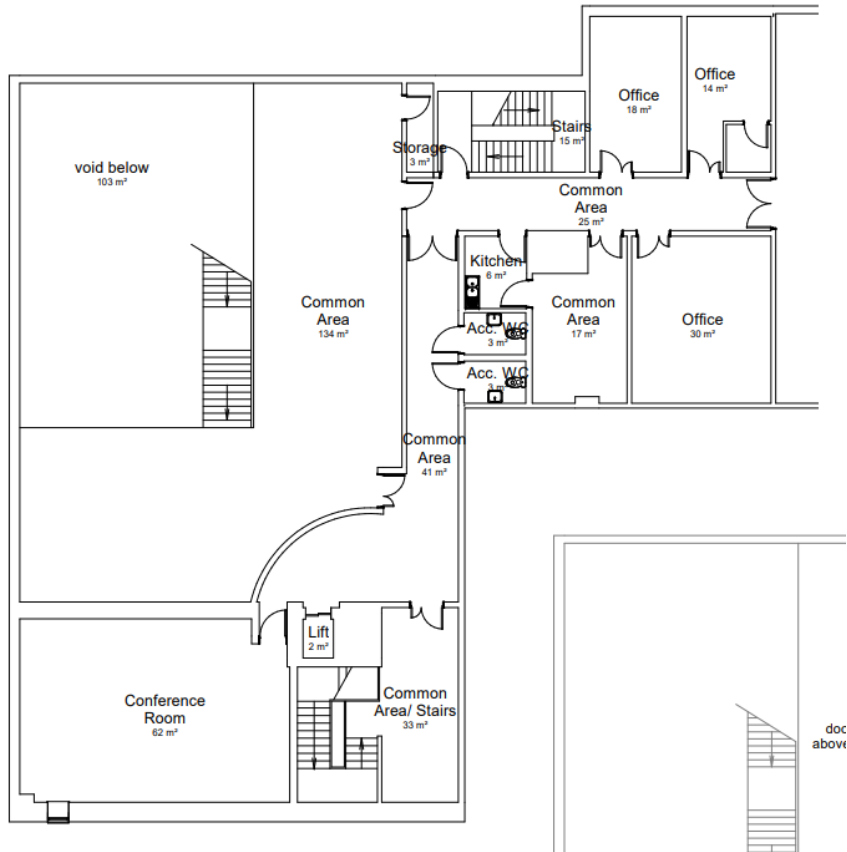
PROPOSED



BRAUNSTONE SPORTS CENTRE - FIRST FLOOR GYM

Appendix 3B

EXISTING

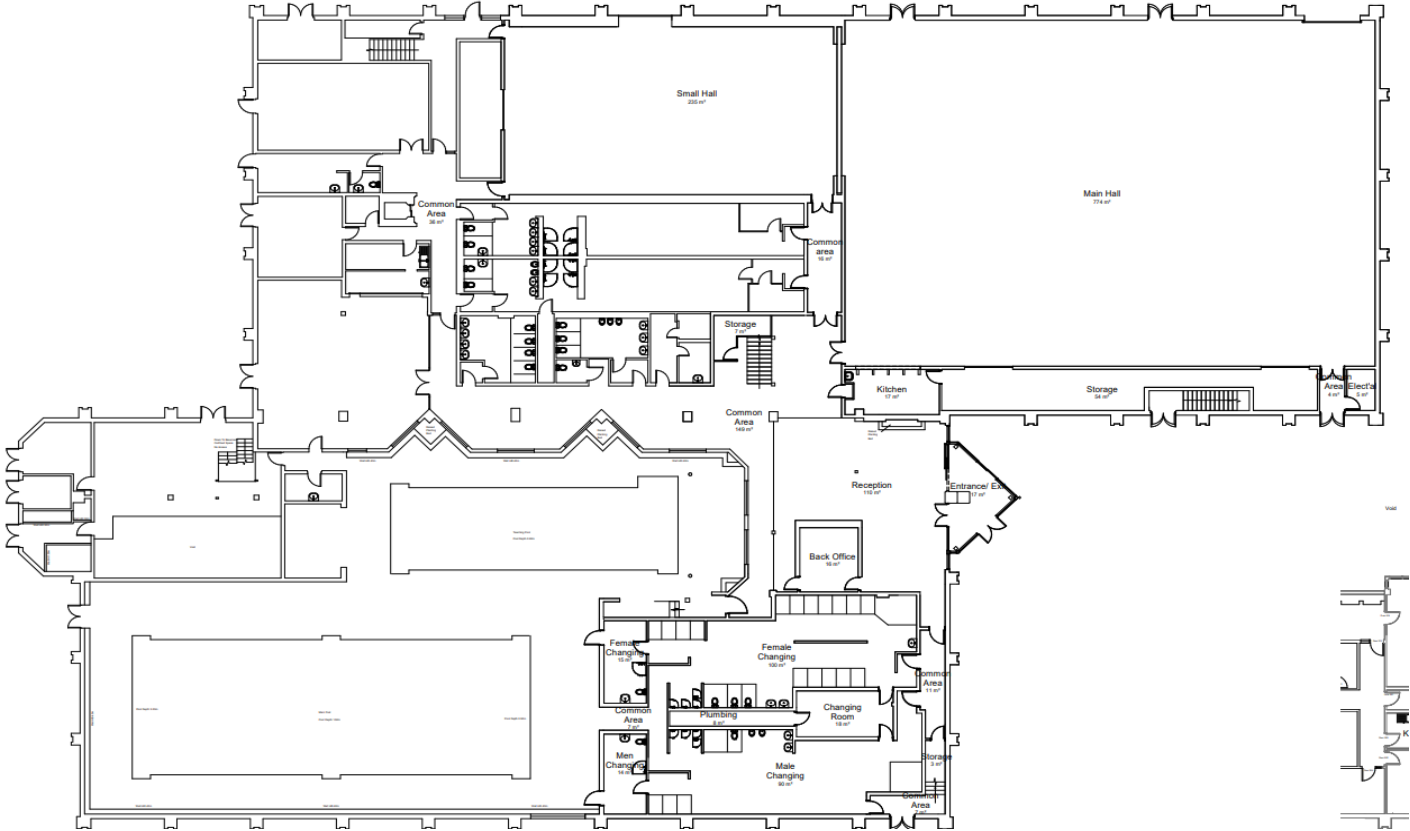


PROPOSED



AYLESTONE SPORTS CENTRE GROUND FLOOR

Appendix 4A

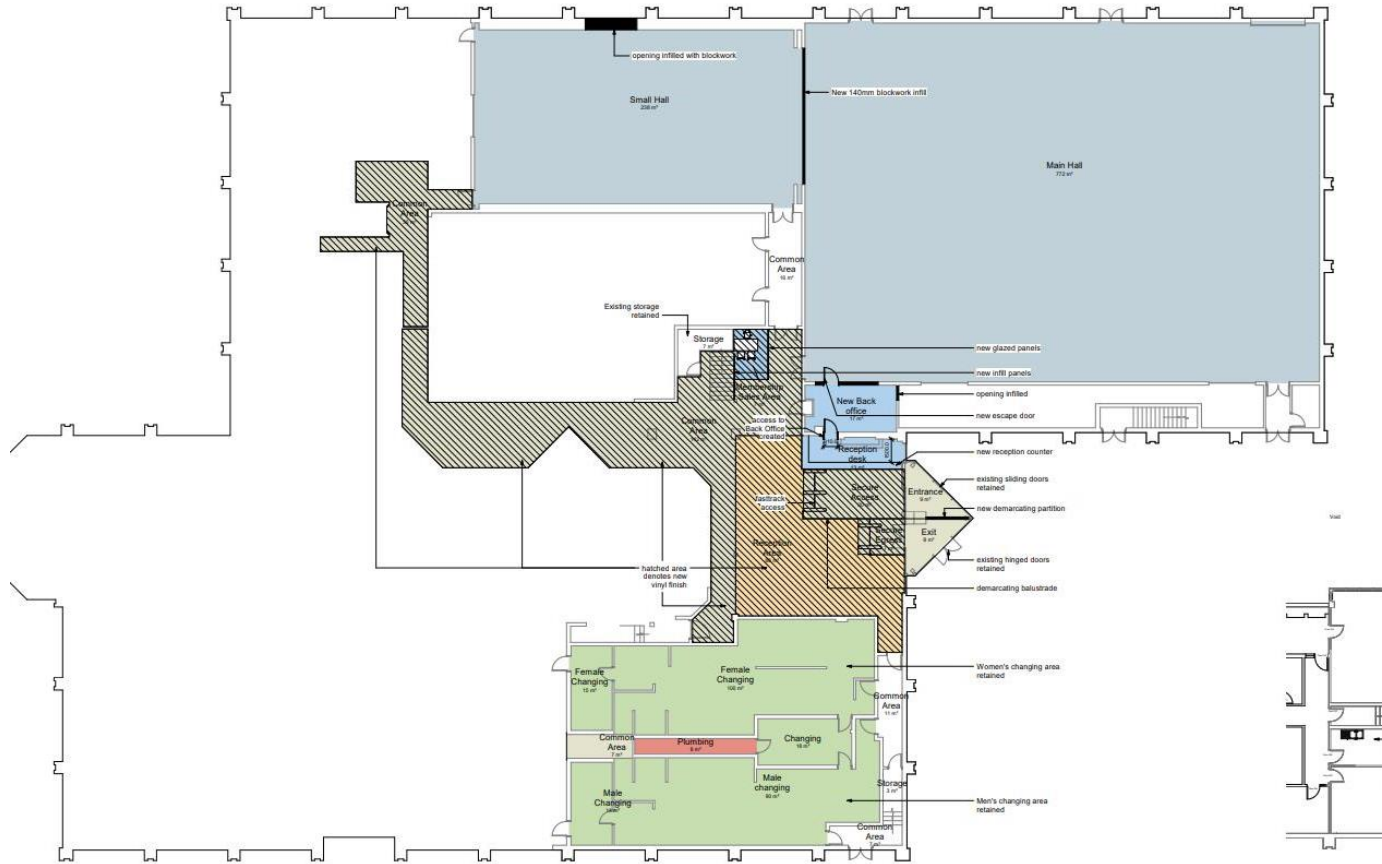


EXISTING

AYLESTONE SPORTS CENTRE

GROUND FLOOR

Appendix 4B



PROPOSED

Spence Street Scheme – Estimated additional income and costs

Spence Street	Pre-Covid	May-21	% Pre-Covid	Phase 2 Project	% Pre-Covid
Gym Stations	23	23		70	204%
Live Members HF (DD)*	584	323	55%	1,100	88%
Average DD	£17	£17		£20	
Equipment: Member	25			14	
Health and Fitness Annual Income	£140k	£66k		£325k	132%
Additional operating costs for phase 2				£41k	
Net Health and Fitness income	£140k			£284k	
Additional scheme income (FYE)				£144k	

The table above shows the pre- COVID health and fitness membership and total income together with the current situation at May 2021 and the estimated full year impact following completion of the proposed scheme.

Current membership levels are at 55% of the pre-COVID level. The report indicates a slow return to these levels over the next 1-2 years.

The phase 2 scheme proposes a significant increase of 47 gym stations compared to the current 23 (204% increase), with membership rising by 88% (516 members) from pre-COVID levels. A previous demand study indicated that there was demand in this catchment area for this level of increased membership. The scheme is building sufficient capacity to allow for significantly more growth (to 2,000 members) based on the number of gym stations.

Additional instructor costs have been included to support the expansion and no additional maintenance costs (for the reasons outlined for Braunstone).

The net additional contribution of the scheme is £144k in terms of the full year effect.

<u>Braunstone and Spence Street schemes combined</u>					
Expected additional income over and above pre-Covid levels				£317k	
Additional costs				-£41k	
Net additional income				£276k	

Braunstone Scheme – Estimated additional income and costs

Appendix 6

Braunstone	Pre-Covid	May-21	% Pre-Covid	Phase 2 Project	% Pre-Covid
Gym Stations	58	58		90	55%
Live Members HF (DD)*	2492	1607	64%	2,880	16%
Average DD	£22	£22		£22	
Equipment: Member	43	28		32	
Health and Fitness Annual Income	£749k	£424k		£881k	18%
Additional operating costs for phase 2				£0k	
Net Health and Fitness income	£749k	£424k		£881k	18%
Additional scheme income (FYE)				£132k	

The table above shows the pre- COVID health and fitness membership and total income together with the current situation at May 2021 and the estimated full year impact following completion of the proposed scheme.

Current membership levels are at 64% of the pre-COVID level. The report indicates a slow return to these levels over the next 1-2 years.

The phase 2 scheme proposes an increase of 32 gym stations (55% increase) with a 16% increase in membership compared to pre-COVID levels (or 388 members). The current member per gym station ratio of 43 is very high (indicating potential difficulties being able to access equipment during peak hours). Increasing the number of stations would allow current membership levels to be sustained (after the post COVID transitional period) at a more acceptable equipment level and also allow for a modest increase in numbers. At a level of 90 stations the ratio would be 32 members to gym station which is at normal industry levels.

No additional operating costs are anticipated in terms of staffing. More favourable pricing on a revised service and maintenance contract is assumed to absorb the additional cost of maintaining more machines.

The net additional contribution of the scheme is therefore £132k in terms of the full year effect.