

 COUNCIL 16th November 2016		Agenda Item No. 12
Title	Leisure Centre investment proposals – Phase I	
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Wards of the District directly affected	Warwick and Leamington	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Executive, 9th October 2013, Finance & Audit Scrutiny Committee, 1st September, 2014. Overview and Scrutiny Committee, 1st September, 2014 Executive, 5th November 2014 Executive 4 th November 2015 Full Council 29 th January 2016 Planning Committee 19 th July 2016 Executive 27 th July 2016 Full Council 10 th August 2016	
Background Papers	Visions and Principles – Oct 2013 Sport and Indoor Facilities Strategy – April 2015 Playing Pitch and Outdoor Sports Strategy – April 2015 Neil Allen Associates Facilities Audit	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	N/A
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive	7/11/2016	Chris Elliott
CMT	7/11/2016	Chris Elliott, Bill Hunt, Andy Jones
Section 151 Officer	7/11/2016	Mike Snow
Finance	7/11/2016	Andy Crump, John Roberts

Monitoring Officer	7/11/2016	Andy Jones
Heads of Service	7/11/2016	Rose Winship, Mike Snow, Tracy Darke, Rob Hoof
Legal Services	7/11/2016	Victoria Newbold; Kate Hiller (WCC)
Portfolio Holder(s)	7/11/2016	Councillor Coker
Consultation & Community Engagement		
Consultation with Sport England and national governing bodies of sport - Ongoing Consultation with local Muslim representatives – April 2016 Consultation with clubs and schools using facilities – early 2016 Consultation with facility users – Jan/Feb 2016 Community Consultation on leisure provision – May 2015 Community consultation on leisure centre activity programme – Spring/Summer 2014		
Final Decision?		Yes

1 SUMMARY

- 1.1 The report is the culmination of two years of work by the Council to identify opportunities to improve the quality and range of leisure facilities in the district and design a programme of works that will provide residents with greatly improved facilities, suitable for the 21st century, now and in the future. Phase I of this work, described in this report, focuses on the leisure centres in Leamington and Warwick. Members have previously agreed that Phase II, for Kenilworth, will follow.
- 1.2 The report details the proposed improvements to Newbold Comyn and St Nicholas Park leisure centres, the rationale for the proposed designs, the cost of the works, and the funding model for the delivery. Members will recall that a construction contractor, Speller Metcalfe, was appointed in summer 2016 under a Pre-Construction Service Agreement and subject to approval of this report will be awarded the contract for the construction works that would commence in December 2016 for St Nicholas Park Leisure Centre and January 2017 for Newbold Comyn Leisure Centre

2 RECOMMENDATIONS

- 2.1 That Council approves the designs for the extension and improvement of Newbold Comyn and St Nicholas Park leisure centres as shown in Appendix 1.
- 2.2 That, subject to agreeing recommendation 2.1, Council approves a budget of up to £14,533,800 (excluding Client Budget as referred to in 2.3), to deliver the works to Newbold Comyn and St Nicholas Park leisure centres funded by a combination of internal borrowing, prudential borrowing, s106 contributions and subject to contract, Sport England grant, as set out in section 5.
- 2.3 That, subject to agreeing recommendation 2.2, Council approves an additional allocation of £726,000 (5% of total project cost) as client budget to be used as described in paragraph 3.3.1 of this report.
- 2.4 That, subject to approval of recommendations 2.1 and 2.2, Council notes that a contract for the delivery of the works referred to in 2.1, up to a cost of £12,800,000, will be let to Speller Metcalfe.

- 2.5 That Council agrees that the Head of Cultural Services and Head of Finance, in consultation with the Portfolio Holders for Culture and Finance, are given delegated authority to approve:
- Minor variations to the delivery works contract with Speller Metcalfe, subject to the cost not exceeding the allocated budget of £12,800,000
 - Variations to the previously approved enabling or preparatory work specifications (see paragraph 3.5.1), subject to overall project cost not exceeding the total aggregated budget of £14,533,800
 - Variations to the project works in excess of the total aggregated budget of £14,533,800 funded by the client budget, in accordance with the provisions of paragraph 3.3.1
- 2.6 That Council notes that the programme of works will commence at St Nicholas Park leisure centre in December 2016 and run for approx. 44 weeks and at Newbold Comyn leisure centre in January 2017 and run for approx. 50 weeks as detailed in section 3.6 and notes that this programme will require the pools at both leisure centres being closed for a 22 week period, beginning in January 2017.
- 2.7 That Council notes the significant work undertaken by many officers over the last two years that has provided the opportunity for the district to enjoy modern leisure facilities in the future.

3 REASONS FOR THE RECOMMENDATIONS

3.1 Designs

- 3.1.1 The process to date has seen the designs for both leisure centres evolve from the initial versions that were established at RIBA Stage 0 in 2015, through various iterations at RIBA Stages 2 and 3, to the final Stage 4 designs. The designs that are now presented reflect the overall objectives of the project which are designed to ensure that the District will have, under Phase I, two modern, up to date and fit for purpose leisure centres that will provide a wide range of sporting opportunities for all sectors of the community. The designs meet the requirements agreed with Sport England and have incorporated revisions made necessary as a result of extensive ground and utility surveys. The design team has invested a great deal of work in considering the feedback from existing users of the facilities (members of the public, clubs and schools), and wherever possible reflecting this feedback in have reflected this in the final designs.

Examples of changes made as a result of this consultation include:

- Increased total number of showers in village changing areas (both sites). This included increasing the number of "open" showers and "cubicle" showers.
- Inclusion of a shoe removal area at both sites
- Inclusion of internal buggy parking area at both sites
- Retention of poolside toilet close to the leisure pool at Newbold Comyn
- Design of the poolside barrier at Newbold to accommodate swimming galas
- Provision of a roof over the cycle storage at both sites
- Retention of the 50+ Club meeting room/lounge at St Nicholas Park

3.1.2 The plans submitted in this report set out at Appendix 1 have retained the "village change" layout that was a feature of the Stage 2 designs. This has been perhaps the most contentious element of the design for a group of existing users. The pros and cons of this design have been explained in depth in previous reports, and in the detailed responses have been provided to Councillors and members of the public who have raised concerns. Officers remain convinced that this design is the most appropriate use of the space available for most user groups. The key to the layout is "flexibility" for swimmers using the facilities, and the layout is supported by Sport England and the Amateur Swimming Association.

3.1.3 There has also been some opposition to the removal of the "small pool" at St Nicholas Park Leisure Centre, which was considered by some to be the loss of a "children's" pool. Again, as previously explained to Members and a small number of customers who have contacted officers about the loss of this pool, the work required to upgrade the main pool circulation, added to the constraints of the site, meant that there was no alternative but to remove this small pool and not replace it.

3.1.4 The improvements to both facilities have elements in common:

- Extended and refurbished health and fitness facilities. Newbold Comyn will have a 100 station gym and 2 studios plus a spin studio; St Nicholas Park an 80 station gym and 2 studios plus a dedicated "spin studio".
- "Village changing" for swimmers with a mix of individual, family and group changing provision within the footprint of the village change area.
- Improved entrance and reception areas with modern "hotel style" reception desks and options for "fast track entrance" for members.
- Improved and extended changing for gym and studio users.
- Replacement of significant elements of the plant and filtration to meet current standards, to reduce running costs and to result in better water and air quality and more effective heating of the facilities.
- New energy efficient lighting in appropriate areas.
- Improved cycle storage.
- Energy efficient plant that is more environmentally sound – installation of combined heat and power units

3.1.5 In addition to the above the following improvements are included at Newbold Comyn only:

- 4 badminton court sports hall
- "Clip and Climb" facility to introduce youngsters to climbing
- Opportunity for the operator of the facility to re-introduce a café facility

Full details of improvements at each site are included in Appendices 1a – 1g.

3.1.6 The Planning Permission granted by the Council comes with numerous Planning Conditions. Some of these Conditions need to be discharged before the commencement of the works, and some need to be discharged before the occupation of the new areas. The Design Team are working with the relevant Council officers to discharge these conditions before the appropriate deadline, to ensure that this process does not delay the commencement on site nor the

occupation of the new areas. Conditions relating to the provision of detailed drawings of the proposals, design details and methods of work for specific areas are all proceeding well and officers do not anticipate any problems in this regard. Some more work needs to be completed on Conditions relating to the Severn Trent works and their impact on landscaping and environmental improvements, but this work should be completed within the relevant time-period subject to satisfactory conclusion of dialogue with relevant parties.

3.1.7 Car parking provision has been considered at length for both sites. The greatest challenge in this respect has been at St Nicholas Park, where it is envisaged that the improved facilities at the leisure centre will increase demand and add to the current pressures on car park capacity; therefore numerous initiatives are being investigated to help resolve this issue. In the short term, a revised car park layout has enabled 16 additional spaces to be created by the removal of the designated coach drop off point, which is not essential to the car park. In the medium term, it is considered that there is the potential to split the car park encouraging all day/long stay parkers to use Myton Fields in the summer months, and provide short stay car parking nearer to the leisure centre. This will require changes to the operating procedures, new signage, clear demarcation of the charging regimes and an appropriate enforcement policy. The short stay car parking would not be solely for users of the leisure centre but also for park users who are visiting for a short time. In the longer term there are options being investigated that would make better use of Myton Fields car park (capacity of 500 cars) which are being considered as part of the other parking issues in Warwick, and across the District. (Appendix 8 provides further information).

3.2 Costs

3.2.1 When the reports on the Leisure Development Programme was considered by Executive on 27th July 2016 and by the Council on 10th August 2016, the costs of the refurbishment and extension of St Nicholas Park and Newbold Comyn Leisure Centre were understood to be in the region of £14.5 million.

3.2.2 Speller Metcalfe were employed based on a Pre-Construction Service Agreement (PCSA) to join the design team and to assess the cost and build-ability of the proposed scheme. The first raw and unchecked figures that were produced through this process and received in early September gave the total cost of the scheme as over £16.5 million.

3.2.3 It was realised by the Design Team and the Council that it would not be possible for the necessary comprehensive analysis of these figures to be undertaken within the available timescale to report to the Council in October. However a series of actions were undertaken to interrogate the returned prices, realign the specification against the budget parameters and look at wider value management to provide best value. These were scheduled to be completed in time for the November Council meeting.

3.2.4 The actions below account for savings of £1,899,710

- Speller Metcalfe going back to their supply chain to seek more competitive quotes. This achieved £396,543 of savings.
- Ongoing value engineering and professional challenge from Mace continued to identify where further savings could be made without

compromising the integrity and quality of the design. The architects contributed to this by changing and challenging design throughout this process. This process achieved £1,374,018 savings from the £16.5 million.

- The majority (c. £900k) of the value management figure was achieved through detailed workshops with the proposed mechanical and electrical contractor who has extensive experience of working with leisure centre operators. They were able to use this experience in order to provide a cost effective solution for the scheme whilst maintaining systems suitable for a leisure centre.
- Enabling works were approved by the Council and these assisted in finding out more about the condition of the buildings and thus reduced cost and risk. The amount achieved through this work is included in figures above.

3.2.5 The Project Board considered whether the programme of works could be shortened, thus reducing "prelims and overheads" paid to the contractor whilst they are on site. The works programme also had to be changed due to the impact of the delay to works on the Severn Trent water main at Newbold Comyn. The revised programme proposed in this report as set out at paragraph 3.6.3 mitigates the impact of the Severn Trent delay and generates £129,000 of savings.

3.2.6 The above work has combined with a revise approach to the "client budget" to produce the figures presented in this report, which represents a reduction of over £2 million from the raw figure of over £16.5 million resulting in a revised project cost of £14,533,800. All work has been completed and all decisions taken in a manner which ensures that the quality and best value produced by the two buildings is not compromised, and the customer experience not adversely affected. Sport England signed off all the amendments and confirmed that they believe the scheme represents a sound project and good value for money.

3.2.7 The Council have been working with Sport England since late 2014 to develop a scheme that would meet their requirements and would be well placed to secure Sport England funding for the scheme. It was confirmed on 19th Sept 2016 that Sport England have approved a grant of £2,000,000 subject to contract. Acceptance of this grant will require the Council to have signed the Lottery Funding Agreement which requires the Council to comply with a series of conditions including a "charge on the land". The Agreement has been provisionally checked and approved by Warwickshire Legal Services who are confident it does not place any unacceptable risk on the Council and are now liaising with Sport England to progress to signing of the contract.

3.3 Client budget

3.3.1 Recommendation 2.3 refers to the allocation of £726,000 as a client budget. It should be noted that the contract with Speller Metcalfe is a fixed price contract and as such the costs of the works will not change unless the Council chooses to allow changes to the specification or the design. Approval of any changes within the Speller Metcalfe contract or other project works, will only be considered for specific items that would benefit the project or specific items that would benefit the new operator and the Council.

3.4 Contract award

- 3.4.1 Speller Metcalfe were appointed at the end of RIBA Stage 3 as preferred contractor for the works under a two-stage procurement process. This involved them being awarded a Pre-Construction Services Agreement (PCSA) so that they could join the Design Team and become fully acquainted with the existing buildings and make significant contributions to the preparations of the final designs from the point of view of build-ability and value for money. Subject to the approval of this report the company will then be awarded the contract for the construction work (for £12,800,000) as detailed in Recommendation 2.4 . Under the terms of the New Engineering Contract (NEC) contract that will be awarded to Speller Metcalfe, the company will assume all the risk of the contract. Risk has been reduced as much as possible already by the use of this two stage procurement process.
- 3.4.2 Mace Ltd have been working in partnership with the Council since the start of the project, and it is proposed that they will continue in the role of project managers for the duration of the construction phase, through to RIBA Stage 6.
- 3.4.3 Mace and Speller Metcalfe will join officers from Cultural Services and Housing and Property Services on the project Steering Group that will oversee the project. Appendix 7 details the project governance arrangements in place.
- 3.4.4 The contract with Speller Metcalfe includes the requirement for the payment of liquidated damages to the Council in the event of the programme exceeding the contracted term. These are £4,400 for Newbold Comyn Leisure Centre and £2,200 per day for St Nicholas Park Leisure Centre.

3.5 Budget management

- 3.5.1 The total project budget of £14,533,776 is made up of the works contracted to Speller Metcalfe (value of £12,791,000) and other project costs. See Appendix 2 for the Stage 4 cost plan.
- 3.5.2 During RIBA Stages 5 & 6, there may be some minor changes required to the specification and design as a result of further surveys or unexpected circumstances. These changes will be managed by the project Steering Group and controlled by a robust change register. The Head of Cultural Services and Head of Finance should be delegated the authority to approve these changes subject to the total costs being contained within the total project budget (including client budget).

3.6 Programme of works

- 3.6.1 Subject to approval of the recommendations in this report, Speller Metcalfe will commence the works in December 2016 (St Nicholas Park) and January 2017 (Newbold Comyn).
- 3.6.2 At their meeting in July 2016, the Executive approved a package of enabling and preparatory works which are now underway at both sites, and where appropriate, orders have been placed with utility companies to undertake the necessary utility diversions.
- 3.6.3 As shown in Appendix 7, the works are scheduled to be completed at both sites by November 2017. The programme of works has had to be revised in recent

weeks due largely to the delay in the diversion of the water main at Newbold Comyn. Despite much excavation and surveying, Severn Trent experienced great difficulty in locating their water main which crosses the site of the new sports hall and changing rooms. Until this had been located, no order could be placed and no enabling works could commence. The water main was located on 20th October with a final cost of £240,029 required for the diversion works.

- 3.6.4 The delays caused by Severn Trent's search for their water main led officers to reconsider the programme of works. Based on the original programme criteria, and the lead time required by Severn Trent, had we retained the original programme sequence, the start of the construction works would have been pushed back until February 2017, with completion of the project delayed until April 2018. It was considered that this was not acceptable due to the length of the works (64 weeks), the impact on customers, and the financial impact on the Council and the operator of the facilities. Therefore a revised programme has been developed which allows both sites to be completed by November 2017. The compromise has been that a complete closure of Newbold Comyn Leisure Centre will be required for 22 weeks from Jan 2017, reopening in May 2017 with the pool, new gym and studios available, but with limited changing facilities. The new wet-side changing village and sports hall will then be completed by November 2017. St Nicholas Park pool will close from December 2016 and reopen in October/November 2017; the sports hall and gym will be unaffected apart for 4 weeks of closure in summer 2017. It should be noted that the revised programme means that both St Nicholas Park and Newbold Comyn pools will be closed for 22 weeks in the first half of 2017. The revised programme, reducing the total build phase by approx. 14 weeks, would result in a project cost saving of £129,000.
- 3.6.5 It is acknowledged that there will be some loss of income to the Council for the closures, and some lesser associated reduction in expenditure. However there will also be a financial benefit at the end of the works as a result of the refurbished and extended centres being operational sooner, thus allowing the operator to generate the higher levels of income from the new facilities. This will then be reflected in the concession payment paid to the Council by the operator.
- 3.6.6 Subject to approval of this report, a detailed communications plan has been developed to ensure the customers and stakeholders are aware of the plans and how the works will impact on them. Officers are in discussion with other pool operators to find water space for as many swimmers, clubs and schools as possible to minimise the inconvenience, but on balance feel that this option is preferable to the extended timetable of the original programme explained above.
- 3.6.7 In parallel with the construction project, officers are progressing the procurement of an external partner to manage the Council's leisure centres. The procurement process commenced in June 2016 with 16 companies registering in the In-Tend system. 11 companies submitted a PQQ (Pre-Qualification Questionnaire) application, and 7 companies were invited to progress to the ITT (Invitation to Tender) stage. The deadline for ITT submissions was 2nd November 2016 and 4 tenders were received. A preferred contractor will be known in early 2017. The proposed contract will commence from 2nd June 2017 at all sites. Due to the revised construction timetable, the operator will assume management for both sites whilst construction is still underway which will have an impact on the financial returns in the first year of the contract.

4 POLICY FRAMEWORK

4.1 Fit for the Future (FFF)

4.1.1 The FFF Programme is designed to deliver the Sustainable Community Strategy (SCS) for Warwick District. It contains many significant projects, including the Leisure Development Programme to consider future management models and investment proposals for the Council's leisure centres.

4.1.2 The FFF Programme has 3 strands and the impact of this report's proposals in relation to each of them is as set out below:

Maintain or Improve Services – the proposals will see two leisure centres significantly extended and enhanced in Phase I, which will in turn lead to a better quality of service for customers. There is a recognition that facilities in Kenilworth will be considered as Phase II of the project.

Achieve and maintain a sustainable balanced budget – the proposals will help the Council in addressing its financial revenue situation by making better use of its physical assets and reducing the level of subsidy for these discretionary services.

Engaged and Empowered staff: The development of the "In-House proposal" has been underpinned by input from staff across all sites. Each leisure centre now has its own Improvement Action Plan which identifies the contribution made by staff to achieving the aims of the service. Whether or not the service remains in-house, this process will have empowered staff and prepared them for a more competitive approach to the delivery of the service in the future.

4.2 Sustainable Community Strategy (SCS)

4.2.1 The Council has approved a Sustainable Community Strategy for Warwick District (SCS) which has 5 key objectives. The programme contributes to these in the following ways:

4.2.2 Health & Wellbeing

- Increasing opportunities for all to engage in sports and physical activity
- Contribution to reducing levels of obesity in the local community
- Increasing opportunities for people to learn new skills

Successful delivery of the programme will also allow the Council to contribute to the Warwickshire Health & Wellbeing Board's Strategy by ensuring that appropriate facilities exist to serve the District, and that these facilities are managed in a way that allows all sectors of the community access to the activities on offer.

4.2.3 Prosperity

- Ensuring that the right infrastructure is available
 - Making best use of public sector assets
- Attracting visitors to spend within the district

The delivery of the new facilities in accordance with the Indoor Facilities Strategy will ensure that the right infrastructure is available in Leamington

and Warwick and fit for purpose for the next 30 years. Phase two of the work will provide the same service for Kenilworth.

4.2.4 Sustainability

- Our community has actively minimised environmental impacts

The design of the new works at Newbold Comyn and St Nicholas Park Leisure Centres has been rigorously scrutinised to minimise the environmental impact. The types of equipment to be used in the new boiler plant have been selected on both environmental and practical grounds.

4.3 Local Plan

4.3.1 The Council has also agreed a strategy statement "The future and sustainable prosperity for Warwick District" which amongst other things seeks to:

- Support the growth and development of the local economy
- - providing for the growth of, and changes within, the local population,
- - a strong development management framework including high quality of design

This project will support the growth of the leisure market within the local economy, provide new sports and leisure facilities for the growing size of the population and contribute to a strong development through producing two significant extensions to two important local buildings using high quality design.

4.4 Corporate Asset Management Plan

4.4.1 The investment proposals described in this report are aligned to the Corporate Asset Management Plan in that they look to make best use of these Council assets and do so in such a way that reduces the subsidy on the authority. The proposals also take account of the current and anticipated future maintenance liabilities of these facilities.

4.5 Indoor Sports Strategy

This strategy guides the future provision and management of built sporting facilities in the District. The relationship between the Indoor Sports and Leisure Strategy and the proposed developments has been demonstrated elsewhere in this report and in previous reports.

5. BUDGETARY FRAMEWORK

5.1 Within the November 2015 Executive Leisure Options report, the anticipated total cost of the works was £11.813m. This was to be funded from the following anticipated sources:-

S106 Contributions	£1.329m
Sport England Grant (subject to award)	£2.000m
Borrowing	£8.484m
Total	£11.813m

5.1.1 It was noted that there would need to be some internal borrowing in the short/medium term pending the receipt of all the funding, most notably the S106 contributions.

5.1.2 As detailed in section 3, the latest estimate for the project is £14,533,800 excluding the client budget of £726,000. The total project cost includes the following items which Members have previously agreed to be expended to progress the project:-

November 2015	Design, planning application, developer selection, agree provisional contract price	£550,000
July 2016	Preparatory and enabling works	£635,876

5.2 s106 contributions and internal funding

The latest estimate for S106 contributions that may be able to be utilised towards the project total is £3.044m. These are all contributions for which agreements have been put in place with developers. The Council has been paid a limited amount of these S106 contributions already, but the majority are due to be received over the next 8 years, when the relevant trigger points are met. The contributions are all due to be uplifted for inflation based on the Retail Prices Index.

5.3 Given the timing of the receipt of the s106 and the Sport England funding (see paragraph 3.2.5), it will be necessary to make use of temporary funding. This may be by the use of Council internal balances/reserves or temporary borrowing. Either way, this funding will have a cost attached to it which, based on currently projected interest rates, is estimated at 1.0%. This is a reduction from the 1.5% allowed in the figures last November, reflecting the latest projected interest rates.

5.4 Prudential borrowing

Taking into account the latest costs of the project, and the funding discussed above, there will remain £10.216m for which it will be necessary for the Council to take out external borrowing. Given the nature of the works, and the likely life thereof (for example, the plant usually has a shorter life than the buildings), the borrowing has been based on a mix of 25 and 40 year annuity borrowing. The updated modelling assumes that long term interest rates for borrowing from the Public Works Loans Board will be at 2.5%. This reflects current interest rates and current projections for interest rates.

The latest estimate for the long term borrowing costs are £460k per annum, based on annuities at 25 and 40 years. The precise split of the works over 25 and 40 years is currently being finalised. This is likely to marginally alter this figure for the annual borrowing costs.

5.5 Financing summary

The updated overall cost of the project (£14,533,800) would be funded as shown below:-

S106 Contributions	£3.044m
Sport England Grant (subject to award)	£2.000m
Borrowing	£9.490m

Total	£14.534m
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Should the client budget (£0.762m) be required, this would increase the borrowing requirement to £10.25m with the other contributions in the table above staying the same.

Appendix 3 brings together details of the expenditure (both project and client budget) and funding profiled over forthcoming years. It should be noted that these are estimates, especially the timing of the receipt of the S106 funds. The modelling shows that by the end of 2018/19, the Council will be temporary funding by way of internal borrowing of £2.53m. This will reduce in subsequent years as the S106 payments are received.

5.6 Revenue impact

By committing to this project and client budget, the Council is agreeing to recurring revenue expenditure of approaching £0.5m for the borrowing costs, as shown at the bottom of Appendix 3. Within the Leisure Options report presented to members in November 2015, the modelling showed that with the enhanced facilities and the centres operated by a private operator that the Council should be able to cover the on-going borrowing costs and make further anticipated revenue savings. On this basis £500k recurring savings have been included within the Council's Medium Term Financial Strategy from October 2018.

5.6.1 The Tenders for the management contract have recently been received from the external operators. The evaluation of tenders has just commenced, and it is anticipated that the Council will be able to award the contract to the preferred bidder early in 2017. However at this stage of the tender evaluation proceedings it is not yet possible to confirm the level of the anticipated savings.

5.6.2 Until the works have been completed and the new operator has taken over the facilities, it is anticipated that there will be additional revenue costs falling upon the Council. These relate to the net reduced income from the centres and the additional borrowing costs that will be incurred. A Leisure Options Reserve of £625k was agreed to be created within the 2016/17 Budget to be used towards these costs. The use of this reserve is being considered as part of the budget process, further to work on-going in estimating these costs.

6 RISKS

6.1 Risk Table 1 below shows the original risks that refer back to the November 2015 report and details how these have been mitigated.

Table 1: Original risks (Nov 2015)

Risks (Nov 2015)	Mitigations (Nov 2015)	Update (Nov 2016)
Existing car parking at St Nicholas Park is inadequate for expanded facilities	Further report to Executive	See Appendix 8 of this report. This will be addressed as part of the parking strategy for Warwick that will come forward in

		2017.
Reduction in demand through new provision or depressed market	Demand report predicts stable demand	Ongoing monitoring of the local and national market.
Insufficient resource to complete tendering process	Consider buying in resource from County	WLS team supported procurement process for both construction and management contracts
Disagreements between any external contractor and Council during development phase	Let contract to external contractor to begin at end of the development phase	See para 3.3.3
Modifications become necessary to the design due to unavailable utilities, existing but latent structural and filtration problems, or flood alleviation	RIBA Stage 3 and 4 will carry out more intensive surveys to identify and cost any additional issues before a final decision to go ahead is made.	Stage 4 design and costs take account of latest surveys carried out. Responsibility for any further design changes transfer to construction contractor under the terms of the NEC contract and appropriate additional Z clauses.
s106 Developer contributions do not materialise as anticipated	Calculations were based on a suppressed figure of £2mill rather than the full £2.7mill	Revised s106 contributions schedule now totalling £3.044m having been agreed with developers.
Sport England Strategic Facilities funding application is unsuccessful	Officers continue work with Sport England	See paragraph 3.2.7

6.2 Table 2 below updated the current position regarding risks and the mitigations in place.

Table 2: Updated Risks (Nov 2016)

Risks (Nov 2016)	Impact	Mitigations (Nov 2016)
Car parking at St Nicholas Park remains close to capacity at peak times (school holiday periods)	Insufficient parking provision at peak times for the extended leisure centre facilities. Impact on income for the leisure centre operator.	The situation will benefit from further development of Myton Fields car parking area to ease the pressure on the current pay and display car park. Further report to Executive - Car Park Strategy. Date to be confirmed.
s106 Developer contributions do not materialise as anticipated	Impact on internal and prudential borrowing – see para 5.2 & 5.3	See para 5.2 & 5.3

<p>Council do not approve the budget detailed in this report and request further work is undertaken and a further report presented to a future Council meeting</p>	<p>Delay of award of management contract – legal advice suggests that at worst the procurement would need to be restarted, or at the very least delayed to allow the bidders to revisit their commercial offering.</p> <p>Increase in construction costs</p> <p>Further uncertainty for customers and staff</p>	<p>Detailed report with justification for why the proposals are sound and deliverable and will result in a significant improvement in the sports & leisure offering for the district.</p>
<p>Council reject the proposals and chose not to progress the investment proposals</p>	<p>Delay of award of management contract to allow re-profiling of their financial proposal to Council.</p> <p>Further uncertainty for customers and staff on the future of leisure provision in the district</p> <p>£25,000 of enabling works undertaken in advance of the major works would need to be written off</p> <p>Need to fund approx. £4 million of maintenance works on existing facilities</p>	<p>As above</p>

7. ALTERNATIVE OPTIONS CONSIDERED

7.1 Project not progressed

7.1.1 The report details the reasons why investment in Newbold Comyn and St Nicholas Park leisure centres is considered necessary. However, a decision could be taken not to make the significant investment outlined in the report. If this were the decision, there would be significant essential maintenance required to the structure of the facilities before they were handed over to the operator in June 2017. This would include significant replacement of plant (estimated cost of £3 million). Without this work, the leisure centres would become “not fit for purpose”, attendances would fall, and the concession fee paid to the Council by the operator would fall substantially. There would also be a shortfall in sports and leisure provision in the District which would have a detrimental effect on the health and well-being of current and future residents of the area.

7.1.2 If members agree not to progress the project, it will be necessary for consideration to be given how the expenditure previously agreed on the project (£550k + £636k, as discussed in paragraph 5.12) will be financed. As there will not be a capital project, it will not be possible to fund these abortive costs from normal sources of capital funding, namely capital receipts and long term borrowing. Alternatively the Council will need to seek to utilise revenue funding, namely the General Fund Balance or reserves.

7.1.3 As referred to in paragraph 5.6.2, a Leisure Options Reserve exists with a balance of £625k. If the project does not continue, it should be possible to use this reserve towards the abortive costs. The balance of these costs would need to come from other reserves. However, this would leave the Council in a weakened financial position, and less able to fund future liabilities or aspirations.

7.2 Project Delayed

7.2.1 If the decision to invest in the buildings were to be delayed, the procurement of a leisure operator would have to be frozen and then restarted with the consequence that the improved financial offer would not be realised and the Fit for the Future revenue savings would not be achievable. The improvements to the services to the customers would be delayed and the uncertainty for staff would be further prolonged. It is estimated that for every 3 month delay, the costs of the project would increase by in the region of £200,000 due to inflation, or £400,000 if the design team were retained and actively working on the project (a combination of inflation and fees). In addition there would be revenue costs as any revenue savings (or increased income) are delayed.

7.3 Investment in only one of the centres

7.3.1 A decision could be taken to invest on one but not both venues. In this case some of the additional demand on sporting provision would be met by the additional provision made, but the District would face a shortfall in terms of the levels of provision that have been modelled by the Sport England Facilities Planning Model, and again risk not meeting the demands of a growing population. There would also remain a need to undertake essential maintenance/replacement at the venue that was not refurbished. This option would also compromise any award of funds from Sport England and would compromise or jeopardise the procurement of the operator.

7.4 Delay investment in Warwick and Leamington until the situation in Kenilworth is clarified

7.4.1 A decision could be taken to delay work at St Nicholas Park Leisure Centre and Newbold Comyn Leisure Centre until details have been confirmed on Phase II for Kenilworth. This option was discarded early in the Programme when it became evident that until the Local Plan was adopted, and therefore there was clarity on the development sites in Kenilworth, it would not be possible or indeed desirable to progress Phase II. Officers are confident that the decision to delay Phase II until the Local Plan is adopted will not unacceptably prejudice the commercial negotiations that would be required with the incumbent operator at the point of making decisions on Phase II. As described in 7.2, delaying the works will have an impact on the overall cost of the project.

7.5 Extend the programme time to avoid 2 pools closed at the same time

7.5.1 Following the delay caused by Severn Trent it would be possible to deliver a phasing plan which still complied with the original parameters of not having any one centre completely closed at any time, or having the pools at Newbold

Comyn and St Nicholas Park closed at the same time. However, this would lead to a completion date of the whole project of April 2018, and works in progress for 16 months, which would have a significant impact on both the profitability and the service provided by the facilities.

7.6 Alternative funding model of equipment

7.6.1 There is an option to review the funding model for the provision of "equipment" in which the Council would need to consider the relative merits of the Council making the capital investment and receiving a higher "concession fee" from the operator, or requiring the operator to make the investment in return for a less favourable concession fee to the Council. The Council may explore this in the negotiation phase with the bidders for the management contract.

Appendices for this report:

1. Stage 4 Plans/Designs (1a – 1g)
2. Stage 4 costs
3. Funding modelling
4. Risk matrix (Top 10 Project risks)
5. Value Management detail
6. Programme Gantt chart
7. Governance/meeting schedules during the build phase
8. Car parking layouts and proposals