

Report of the Strategic Director Environment and Sport to the meeting of the Executive to be held on the 10th January 2017

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Subject:**Sports Facilities Investment Plan****Summary statement:**

Following the report to the Executive on the 15th January 2015 Officers have progressed the development of plans for investment in the District's sports facilities. This report provides Members with an update on progress made and sets out alternative options for development and improvements in provision of swimming pools and leisure facilities.

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Overview & Scrutiny Area:**Regeneration and Economy**

1. SUMMARY

- 1.1 Following the report to the Executive on the 15th January 2015 Officers have progressed the development of plans for investment in the District's sports facilities. This report provides Members with an update on progress made and sets out options for development and improvement in provision of swimming pools and leisure facilities.

2. BACKGROUND

- 2.1 The report to Executive in January 2015 presented that a number of the Council's swimming pools were outdated and fall short of current benchmarks for accessibility, energy consumption / greenhouse gas production and running costs. Due to the financial pressure facing the Council it was considered unlikely that continuing current levels of provision with the existing facilities would be affordable.
- 2.2 The report summarised the key findings of a feasibility study by Deloitte and, considered options for a programme of investment for changes to the Council's portfolio of sports facilities. The report outlined plans for 4 new facilities in the district, and earmarked four outdated and not fit for purpose facilities to close.
- 2.3 The projected cost of all four facilities was £41.01million. This is broken down by facility as:
- City Centre - £14.21 million
 - North of Bradford City - £7.43 million
 - South Bradford - £12.50 million
 - South West Bradford - £6.87 million
- 2.4 A model of reconfiguration and replacement of outdated swimming pool sports facilities was therefore proposed. The principle in this model was that facilities made surplus by a programme of investment would be released for disposal with the receipts generated contributing to the capital costs incurred by the Council in building new facilities. The sites earmarked for disposal by the Council were:
- Bingley Pool
 - Bowling Pool
 - Queensbury Pool
 - Richard Dunn Sports Centre
- 2.5 Executive resolved:
- That the Council commences a phased programme of investment in sports facilities as outlined at 6.3 with Phase 1 being delivery of a new City Centre sports facility and construction of a new Community Swimming Pool in South Bradford (Allowing the subsequent disposal of the Richard Dunn Sports Centre and Bowling Pool sites).
 - That the capital and revenue budget consequences of proceeding with the scheme are reflected in the recommendations to Budget Council for future financial years.

- That the Council forward funds from the Capital Investment Plan completion of Phase 1 of the programme prior to the closure and disposal of Richard Dunn Sports Centre and Bowling Pool sites.

3. OTHER CONSIDERATIONS AND PROGRESS TO DATE

3.1. Progress to Date

- 3.1.1 Since the previous report to Executive officers have made substantial progress towards delivering the facilities agreed as part of the first phase.
- 3.1.2 Rex Proctor and Partners were appointed to lead a multi-disciplinary design team including architects, engineers and cost consultants following a detailed tender process.
- 3.1.3 Designs have been produced and submitted to the Council up to RIBA Stage 2 (Concept Design) for the City Centre Pool and the Sedbergh Sport Facility.
- 3.1.4 Britannia Mills building formerly occupied by Wetherby Engineering has now been demolished by the Council and the site is now vacant. The £1.3m cost associated with the site is within the overall cost of the project. Prior to a determination of the long term future of the site it is intended to be used as a car park.
- 3.1.5 The projected cost of developing the City Centre Pool was £14.21 million including the cost of purchasing the site. The projected cost at August 2016 was estimated to be £21.0 million.
- 3.1.6 The projected cost of developing the Sedbergh site was £12.5 million. The projected cost at August 2016 was estimated to be £17.5 million.
- 3.1.7 Costs have risen for a number of reasons.
- The initial feasibility study underestimated the size of the facility that was required.
 - Rising inflation has significantly added to the cost.
 - The initial feasibility study did not conduct in depth site investigations. Once these were carried out by our design team it became evident that providing a facility on this location would prove to be expensive due to the requirement for extensive foundations.
- 3.1.8 Against the backdrop of these rising costs officers have been asked to consider alternative proposals to take forward the development of the Districts sports facilities

4. OPTIONS

4.1 Continue to Build

- 4.1.1 It is anticipated currently that to continue to deliver phase 1 of the Sports Facilities

Investment Plan as approved by Executive in January 2015 would now cost the Council £38.5million.

4.1.2 To further continue the development programme and complete all four facilities identified in the Investment Plan is now projected to cost £56.7million.

4.1.3 Continuing with this plan and undertaking significant amounts of prudential borrowing would place a significant strain upon the revenue budget of the Service.

4.2 Halt All Development Work

4.2.1 A do nothing option was considered previously and was an option not progressed by the Council. Continued operation of the existing portfolio of leisure facilities is not recommended as a best value, or even a zero cost option:

- A number of the Council's swimming pools are outdated and fall short of current benchmarks for accessibility, energy consumption / greenhouse gas production and running costs, fundamentally it is not practical to make significant improvements without replacement.
- These facilities also fall below modern standards for community use, swimming lessons or competition and athlete development, again it is not practical to make improvements without re-building and there are risks of increased customer dissatisfaction and loss of business.
- Buildings are known to be in a poor condition. Five year backlog maintenance costs across the sports portfolio were estimated in 2011/12 at £12m. Condition surveys of the four existing facilities within the scope of this proposal indicate over £7.7m of backlog maintenance liabilities eg re wiring t Richard Dunn Sports Centre £814,000. Protracted facility closures would be required to undertake works. It should be noted that this figure for backlog maintenance excludes any works to improve the facilities.

4.2.2 In keeping the existing buildings open there is a much increased chance of serious mechanical or structural failure. This would result in a significant closure of the facility whilst any repair is considered and evaluated.

4.3.1 Revised Programme

- Build two new high-specification sports facilities with swimming pools.
- Build one new centre in the south of the District at Sedbergh for a planned opening at the end of 2018.
- Build a second new centre north of Bradford City at Squire Lane.
- The new facility at Sedbergh will replace the existing Richard Dunn Sports Centre, which will close when Sedbergh opens, Queensbury pool at the same time will be offered for community management and if a solution can not be found then the pool will be closed.

- The new facility at Squire Lane will improve provision for people on the north side of the City Centre and will attract new users not currently accessing facilities.
- Do not continue with the plan to build new facilities in the city centre and at Asa Briggs Park in Queensbury.
- Building two new pools in the heart of local communities will have the biggest health and wellbeing impact for the District and will reduce the annual running costs of leisure facilities, as compared to keeping the existing facilities going. This means we are investing to save money in the future while also providing better facilities.
- Bowling Pool will remain open.
- Bingley pool is relatively old with high maintenance costs which will only increase. When the Squire Lane facility is complete Bingley Pool will be offered for community management and if a solution can not be found then the pool will be closed.

Swimming and Sport Facilities	
New (location)	Surplus – released for community management and closure if no solution
<ul style="list-style-type: none"> • South Bradford Community Swimming Pool (Sedbergh) • North of Bradford City Community Swimming Pool (Squire Lane) 	<ul style="list-style-type: none"> • Richard Dunn Sports Centre * • Queensbury Swimming Pool • Bingley Swimming Pool

- *closure is the only option for the Richard Dunn Sports Centre and as the sale of the site is being used to part fund the replacement facilities.

4.3.2 Benefits of revised scheme

- The new community facilities will provide enhanced opportunities for participation in sport and active recreation which will have significant benefits for health and well being.
- Many schools use the existing pools that are scheduled for closure. All existing schools that use the current facilities will be offered alternative swimming lessons at nearby Council pools
- The older sports facilities and in particular Queensbury Pool do not comply with DDA requirements. New facilities will be fully DDA compliant and offer the whole community the opportunity to enjoy swimming and other sporting activities.

4. 4 NORTH OF BRADFORD CITY POOL

4.4.1 Location

The site is located to the north of the city centre. On its eastern and southern boundaries lie low density residential properties. The western boundary is formed by Squire Lane with educational properties including the Girls Grammar School. The northern boundary is formed by Duckworth Lane and Bradford Royal Infirmary.

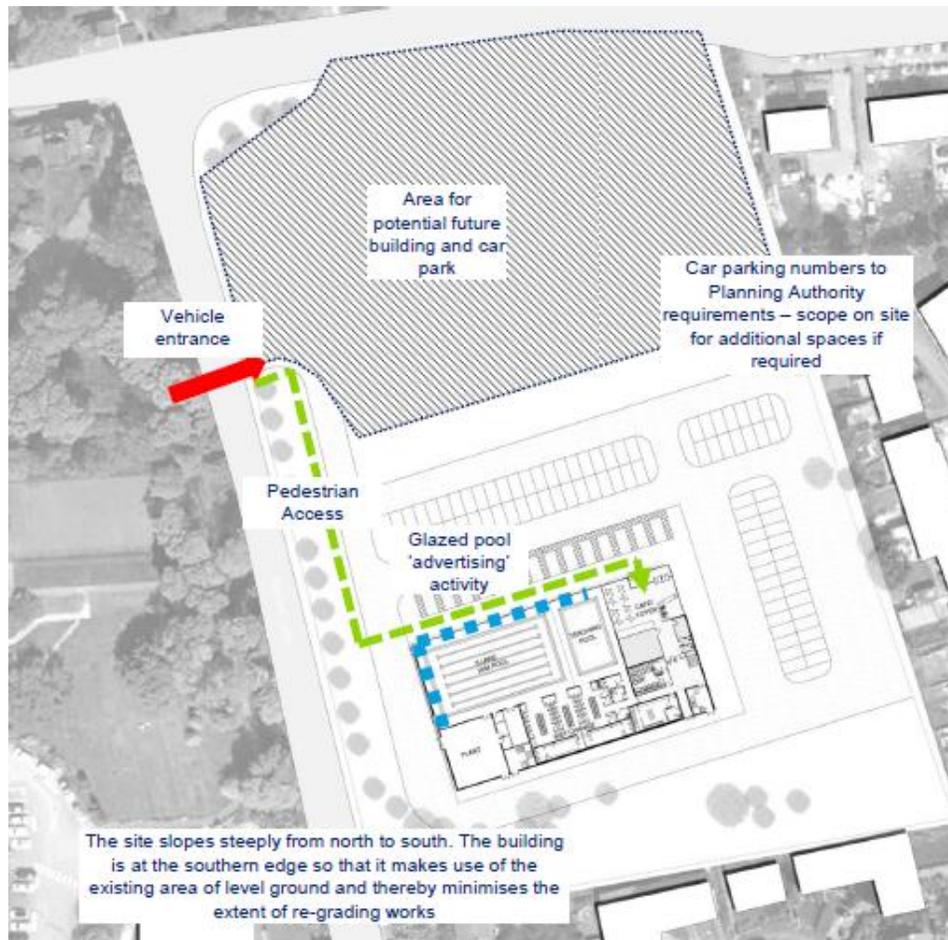
The Council will look to develop vehicular access to the site from Squire Lane and not Duckworth Lane, ongoing work to develop a traffic study for the site is currently taking place.

The building's location on the site has been carefully considered. Ideally it would be best located near the northern boundary so that it is visible to the public.

- Good connection to local community
- Site on steep, terraced slope
- Site has the potential to accommodate additional car parking for NHS site
- Site topography creates the need for some ground levelling.

Approximately 105,000 people have been identified as living within a catchment area of this site.

4.4.2 Location Plan



4.4.3 Facility Mix

- 25m, 6 lane pool
- Learner pool
- Gym
- Dance studios
- Viewing/vending area
- Car parking

4.4.4 Projected Cost

The projected cost of developing the North of Bradford City Pool is £10 million

4.6.5 Progress to Date

Negotiations are currently underway with the NHS in order to ensure that suitable provision for parking is made in the area in order to assist the Hospital with parking issues at their site.

5. FINANCIAL & RESOURCE APPRAISAL

5.1 The appraisal of this scheme comprises two financial tests:

- Are the proposed new facilities better financially than the existing ones? In this test, we compare the total costs and revenues over time of new versus existing.
- Are the proposed new facilities affordable given the Council's financial context? In this test, we ask the question whether, even if we take the comparatively more attractive financial route, we have enough budget to pay for it.

For both these tests

- We have to make assumptions about the future, based on best available estimates. These assumptions have also been informed by the Deloitte report, and current financial performance of the existing facilities. The material assumptions that have been made in the "base case" are shown at Appendix A Section 1.
- We then vary those assumptions, to see what happens to the financial conclusions. This sensitivity analysis allows us to compare potential variations to the "base case", which allows conclusions to be made about the degree and longevity of risk.

5.2 Are the proposed new facilities better financially?

The total forecast cashflows of the new facilities and the existing facilities have been compared over 25 years, to reflect the expected life of the new facilities. In order to make the comparison fair, we have assumed that the new facilities require annual life-cycle maintenance, and that the existing facilities first require backlog maintenance to be carried out, followed by annual life cycle maintenance.

The table below summarises the comparison of the real and discounted cashflows so that the difference can be measured in financial terms. The discounted cashflow works on the principal that £1 now will be worth 42p in 25 years so that inflation can be incorporated.

Table 1: Comparison of cashflows of new and existing facilities over 25 years

	New Facilities	Existing In-Scope Facilities	Benefit of New Facilities
	£m	£m	£m
Net cashflow in real terms – (cost)/surplus	(27.1)	(52.3)	25.2
Net cashflow discounted – (cost)/surplus	(17.5)	(33.8)	16.3

Using the analysis in the base case, we draw the following main conclusions.
The existing facilities:

- Will lose money each year. As table 1 shows, we forecast that the cost of the existing facilities will total £52.3m over the 25 years. Closing them down and replacing them avoids the losses they are expected to make.
- Will require significant capital spend on accrued backlog maintenance costs and ongoing maintenance costs to keep them open, which will not be rewarded by an improved annual financial result. The forecast assumes that income gradually falls over time, despite expenditure on backlog maintenance (£7.4m) and lifecycle costs (£12.6m) totalling £20m over a 25 year period. Closing them down avoids those maintenance costs.

The new facilities:

- Will cost £28.1m to build. We will fund the build costs by a combination of borrowing; using capital receipts from disposing of the existing facilities; and using grant.
- Will require on-going lifecycle costs of £6.7m over a 25 year period.
- Will make an operating surplus but will lose money each year, taking into account all the operating, maintenance and capital financing costs. However, they will run at a much lower loss than the existing facilities.

This means that, comparatively, the new facilities offer a better financial prospect than the current facilities. In today's money, we estimate that new facilities provide a total of £16.3m more financial value over 25 years.

Given the uncertainty related to any forecast over 25 years, we have also considered the comparative financial advantage offered over the first five and ten years.

Table 2: Comparison of cashflows of new and existing in scope facilities (in real terms)

	5 years £m	10 years £m	25 years † £m
Costs of new facilities	5.6	11.3	27.1
Costs of existing facilities	8.4	17.7	52.3
Variance	2.8	6.4	25.2

† from Table 1

A further breakdown of the figures in Table 2 is included in the Appendix A Section 2.

Table 2 demonstrates that there is a financial advantage in replacing the existing facilities over 5, 10, and 25 years.

However, there are significant caveats to these conclusions.

Clearly, there is a high level of uncertainty about the realism of extending the operating life of the existing facilities, given their age.

Tables 3a and 3b below shows what happens to the comparative financial value if the assumptions in our base case analysis do not hold good.

Table 3a: Income sensitivities that result in zero financial advantage of building the new facilities

Income	Existing In Scope facilities in 2013/14	New facilities – base case	Zero financial advantage of building new facilities	% reduction from the base case
Average income per visit	£2.52	£3.02	£2.27	25.0%
Average No of visits annually	0.65m	0.68m	0.51m	25.0%

Table 3b: Capital sensitivities that result in zero financial advantage of building the new facilities

	New facilities base case	Zero financial advantage of building new facilities	% increase in capital costs
Increase in capital construction costs	£28.1m	£45m	60%
Increase in interest rates	3.50%	17.00%	

Additional sensitivities are included in Appendix A Section 3 on capital.

5.3 Are the proposed new facilities affordable?

While the comparison between “old” versus “new” shows a financial advantage over 25 years of proceeding with the project, we also need to assess whether a scheme is affordable.

In the context of the expected continued squeeze on funding for Councils, this test is crucial for any scheme which will run at a net cost, albeit it considerably lower than the current facilities.

In running the test, we have compared the net costs of the proposed scheme against the current base budgets of 2015-16.

Table 4 below summarises the 25 year average annual cost of the new facilities, compared with the existing budget provision.

Table 4: 25 year average annual cost of new facilities

	Average - 25 years
Per year budget requirement of new facilities	£1.13m
Existing per year base budget	£1.37m
Per year budget surplus	£0.24m

† Existing base budget includes £436k to fund the allocated Capital Investment

By comparison, the Table 5 shows the same for the existing facilities.

Table 5: 25 year average annual cost of existing facilities

	Average over 25 years
Budget requirement of existing facilities †	£2.10m
Existing per year base budget	£1.37m
Per year budget shortfall	£0.73m

†Assuming backlog maintenance is addressed and on-going lifecycle costs are incurred.

Table 6 below shows the assumptions in the base case about visitor number compared to current levels. This comparison suggests that in addition to the assumed 28% increase in average income per visitor outlined in table 3a, there would also have to be an increase in the usage of all pools and dry facilities by the people of Bradford to make these investments affordable. The Deloitte future revenue projections on the new facilities are based on benchmarks from the Sports Consultancy operational database which contains over 600 records of financial performance from over 300 public leisure facilities in the UK.

Table 6: Throughput of facilities

	Number of visits per annum
All existing facilities	1.90m
Current in scope existing facilities	0.65m
New facilities	0.68m
New facilities plus remaining sites	2.01m
Increase in number of visit to all sites required	0.11m
% increase in number of visits from existing all facilities	6%

A material factor in the context of the Council's financial outlook is the amount of budget that the Council can afford to set aside for this scheme. The latest Council budget papers forecast that savings of £100m will have to be found over the next four years

Proceeding with the scheme as proposed therefore has the following consequences:

- First, once the new facilities are completed, their net cost becomes essentially "fixed" within the Council's net budget.
- Any deterioration in the financial performance of the facilities will have to be borne by the rest of the Council's services, or by additional Council Tax.
- Overall financial performance is heavily dependent on income levels, which are difficult to control; and 55% of total revenue costs are largely fixed as they relate to premises and capital financing expenditure (94% if staffing costs were included which could be considered fixed as minimum staffing levels are required for Health and Safety reasons).

On affordability, then, we draw two main conclusions:

- new facilities in the longer term provide a better prospect of reducing the strain on the revenue budget. However, they will require a total revenue budget of £11.3m (see table 2) in the next ten years.

5.4 Overall Conclusions

The financial analysis supports the conclusion that:

- Maintaining the existing facilities provides poor value, with expected further deterioration in their financial performance meaning they fast become unaffordable
- The base case analysis shows that there is a comparative advantage in undertaking the scheme
- The affordability test of proceeding with the whole scheme shows that:
 - The new facilities will require a budget of £11.3m over the next ten years
 - There are consequences for the rest of the Council's services of committing to the long-term cost commitment of the new facilities
- The viability of the scheme is dependent on the control of capital costs, and the quantum of capital receipts
- Likewise, the operational performance of the new facilities is the key to overall financial advantage. Income levels are a dominant factor, and can be difficult to control
- There is a risk that, should the projections about visitor numbers and their spending habits turn out to be over-optimistic, the Council replaces its current loss-making facilities with new loss-making facilities which places further pressures on the already constrained net revenue budget;

6. **PROCUREMENT**

6.1.1 The element of the contract held with Rex Proctor and Partners for the design of the City Centre Pool will be formally ended, this contract will continue for work on the Sedbergh site.

6.1.2 A new procurement process will be initiated for the appointment of a multi disciplinary services team for the Squire Lane site.

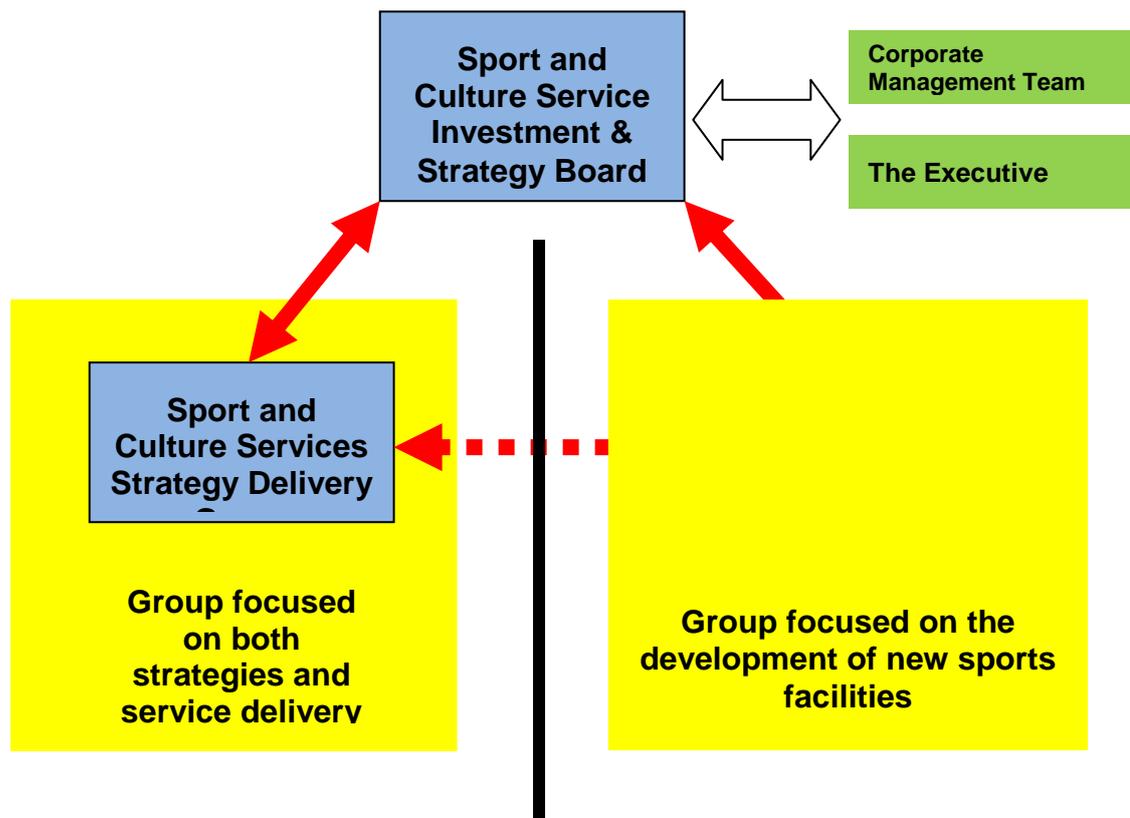
6.1.3 Throughout the procurement process consideration will be given to the use of local labour and developing opportunities for the local workforce. The Council is committed to using its buying power to secure social, economic and environmental outcomes in ways that offer sustainable long term benefits. This includes improving education and training opportunities to assist people in gaining employment, and maximise Social Value. The opportunities arising from procurement associated with the developments referred to on this report can therefore support the continued development of a skilled workforce which will help to meet the needs of businesses and the economy, encouraging enterprise, competition and innovation, and contributing towards economic growth for the district.

7. **RISK MANAGEMENT AND GOVERNANCE ISSUES**

7.1 In pursuing its programme of development the Council will ensure efficient delivery of new sports facilities and maintain close control of project cost and quality. It will still be required to forward fund costs to be offset by future capital receipts from the disposal of surplus sites. A dedicated project management resource has been allocated to the project as part of a project governance structure. A project board chaired by the Strategic Director Environment and

Sport will take financial decisions in consultation with the Portfolio Holder for Environment, Sport and Sustainability, and the Director of Finance.

7.2.1 The project will continue to be supported by its existing governance structure.



Representatives from Environment and Sport will act as the client and the Department of Regeneration will be the responsible department to deliver the project as a contracting agent.

7.2.2 The Financial and Resource Appraisal above explains the intention to de-risk the strain that may be placed upon the Councils revenue budget. By delivering only two of the facilities that were earmarked previously this should reduce the strain on operating budgets.

The risks that the scheme could place a long-term burden on the Council's revenue budget are still relevant and should the capital construction phase and the financial operating performance of the facilities vary from the base case assumptions. In particular, the base case is dependent on both a growth in the overall number of visitors and an increase in average spend compared with now (as outlined in section 5).

7.2.3 The inflation figure applied to the projected construction cost of the new facilities is in accordance with industry guidance from RICS. There is a risk that the projected inflation is not reflected in the tender bids associated with this project as a number of variables are at play e.g. materials, labour costs, etc.

7.2.4 The income and expenditure projections used in this report are based on studies carried out for the Council in 2014.

8. LEGAL APPRAISAL

- 8.1 Legal Services will continue to provide advice and support to the Project Team to develop proposals and highlight potential legal issues/risks that need to be considered.

9. OTHER IMPLICATIONS

9.1 EQUALITY & DIVERSITY

The development proposals to construct two new sports facilities will lead to overall increased availability of provision within the district. Whilst there will be a small decrease in available water space the additional of movable floors and segregated facilities including changing will make facilities far more accessible and sympathetic to the cultural net.

Both of the new facilities will be fully DDA compliant and will provide a much more strategically aligned geographical spread of facilities to serve the demographic needs of the district.

The new facilities will help to increase participation through removing some of the physical and logistical barriers that are present in the Council's current building stock.

9.2 SUSTAINABILITY IMPLICATIONS

The following principles have been considered in the production of the feasibility report and will continue to be included as the detailed design work is progressed.

- Green transport will be encouraged by providing quality facilities for cycle users
- CO₂ output will be reduced through sustainable design which will reduce operational energy consumption.
- The wider environmental impact will be considered in the design phase. E.g. Specifying locally sourced materials that are produced through environmentally sound methods.

9.3 GREENHOUSE GAS EMISSIONS IMPACTS

It is anticipated that significant reductions in carbon emissions will be achieved by closing inefficient and energy intensive buildings with modern buildings designed with green building principals as a core element of their construction.

9.4 TRANSPORT AND TRAVEL IMPLICATIONS

The new facilities will:

- Utilise and enhance existing transport connections to reduce the use of cars

- Use existing pedestrian routes and investigate possibilities for upgrades relating to improved safety, sense of route and quality experience.

9.5 COMMUNITY SAFETY IMPLICATIONS

There are no direct Community Safety implications arising from this report. However as the detailed design of the new facilities is progressed the following will be considered as part of the planning process:

- Secure parking
- Well lit external areas
- Open and welcoming building design
- Building security
- Well supervised facilities to enhance safeguarding

As part of the planning process all designs will be presented to West Yorkshire Police as a consultee.

9.6 HUMAN RIGHTS ACT

There are no Human Rights Act implications arising from this report.

9.7 TRADE UNION

As part of the public consultation process both staff and trade unions have been consulted.

It is currently expected that there will be the need to relocate staff from existing facilities to the new facilities. Depending upon the specific details of relocations this may well have a small financial impact as the Council is liable for any additional expenses incurred by staff travel for a period of up to four years.

9.8 WARD IMPLICATIONS

The proposals will impact upon individual wards across the Bradford District.

Pools will open in the following wards:

- Toller – North of Bradford City, Squire Lane
- Wyke – Bradford South, Sedbergh

The decision not to continue will result in facilities no longer being developed in the following wards:

- Little Horton – City Centre Pool
- Queensbury – Asa Briggs Recreation Ground

Facility Closures will occur in the following wards:

- Bingley – Bingley Pool
- Queensbury – Queensbury Pool
- Wibsey – Richard Dunn Sports Centre

9.9 AREA COMMITTEE ACTION PLAN IMPLICATIONS

There are no Area Committee implications arising from this report.

10. NOT FOR PUBLICATION DOCUMENTS

Appendix A

11. RECOMMENDATIONS

It is recommended that:

- 11.1 The work undertaken on behalf of the Council is noted.
- 11.2 The Council continues to develop the Sedbergh Sports Facility allowing the subsequent disposal of the Richard Dunn Sports Centre site.
- 11.3 The Council ceases to develop the City Centre sports facility and will not take forward the South West Pool at Clayton Heights planned for phase 2 of the sports facilities investment programme.
- 11.4 That the Council brings forward the development of a new community Swimming Pool and Sports Facility in the North of Bradford City with immediate effect, allowing for Bingley Pool to be offered for community management and if a solution can not be found the pool will close.
- 11.5 The Council agrees that when the new pool at Sedbergh opens, Queensbury Pool will be offered for community management and if no solution can be found the pool will close.
- 11.6 The capital requirement for £28.1m and the revenue budget consequences of proceeding with the scheme are reflected in the recommendations to the Council Budget for future financial years.
- 11.7 The Council continues with the plan to forward fund the new facilities from the Capital Investment Plan prior to the closure and disposal of the Richard Dunn site.

12. BACKGROUND DOCUMENTS

Sports Facilities Investment Plan report to Executive 15th January 2015