

PLACE COMMITTEE

31 OCTOBER 2018

REPORT OF DIRECTOR FOR GROWTH & REGENERATION

UPDATE REPORT FOR LEISURE FACILITIES

1.0 PURPOSE OF THE REPORT

- 1.1 In 2018, Members approved the decision to align service contracts for both council owned leisure facilities in Melton. With contracts until 2022, the council wanted to undertake a full options appraisal and commissioned FMG; specialist leisure consultants to assist. This report provides Members with an update on the work carried out to review leisure facilities within Melton and sets out a recommended way forward and associated investment options.
- 1.1 The report seeks a steer on the approach to the development of leisure facilities and approval for next steps.

2.0 RECOMMENDATIONS

- 2.1 The Committee note the FMG report as attached in exempt Appendix 1.
- 2.2 The Committee approve the approach to the development of leisure facilities and next steps as identified in paragraph 3.4.
- 2.3 That the committee approve the use of identified savings form the 2018/19 budget to undertake the next steps identified in paragraph 3.4.

3.1 BACKGROUND

- 3.1.1 One of the priorities in the Corporate Delivery plan is to undertake a feasibility into the development of Melton's leisure facilities and prepare/implement a plan for the long term future of Leisure provision within the borough.
- 3.1.2 Earlier this year the council took the decision to harmonise the contract review dates for both Waterfield Leisure Centre and the Melton Sports Village (MSV). The current contract with SLM for the operation of the leisure facilities ends on March 2022. This has created an opportunity for the council to take stock and fully review all options for the future of both sites.
- 3.1.3 MBC appointed consultants FMG in April 2018 to consider the future of the two leisure facilities taking into account the key strategic partners, priorities and outcomes, customer needs and local market intelligence.
- 3.1.4 This review is now complete (exempt APPENDIX A) and it is clear that for the council to be the sole investor in a new leisure facility on the Melton Sports Village site is unaffordable and would not represent good value for local residents.
- 3.1.5 It is however acknowledged that both leisure sites represent a considerable local asset and it is important we secure a long term and sustainable future for them and bring assurance regarding the future of leisure provision within the borough. By harmonising contract dates, the Council has time to review the situation and it is right and proper that we should do so.
- 3.1.6 The Council is keen to work with the local clubs and other public and private sector stakeholders to identify investment and develop a financially sustainable and

commercially viable option which secures the long term future of the site and future leisure provision in Melton.

3.2 Summary of FMG report

- 3.2.1 A range of options are considered for investment appraisal and financial modelling and the impact of each of the project options including capital investment, revenue income, operating costs and affordability is examined. The report considers a number of options including status quo, consolidating on to the Waterfield site or consolidating on to the MSV site, all of which would create a significant rise in costs against the current rate of income generated through the site. This means unilateral investment in leisure facilities would be unaffordable.
- 3.2.2 The net cost to the taxpayer based on the current contract including the Council's own costs is a net surplus of £156,430 excluding support cost and overhead. The potential rationalisation of our two existing leisure centres into a new one does not generate the kind of improved financial position to offset the costs of borrowing c £13-17m for a new facility.
- 3.2.3 The main reasons for this are a) the current contract following the refurbishment we have at Waterfield reduces the differential benefit of moving to a better more commercially attractive facility and b) the population catchment is not sufficient to generate the required throughput.

3.3 Options Appraisal:

1. Maintain the status quo- This option proposes to maintain the leisure provision over two sites as it currently is. This would mean that the operations contract with SLM which ends in March 2022 will need to be re-procured. It is unlikely that MBC will get a similar level of income from it due to the increased operational costs as well as maintenance costs. Also, there will be additional capital investment required for building repair and maintenance, level of which will be determined by a detailed stock conditions survey. Considering this option would mean additional costs, reduced levels of income and the same or reduced level of operational offer. For these reasons, this option is **not recommended**.
2. Sell MSV site- Selling the MSV site through open market disposal will generate some capital receipt. Without any definite plans for development potential, it is unlikely to generate its maximum potential value. This will mean loss of MSV indoor and outdoor provision which will need to be accommodated/ re-provided elsewhere and there will be a cost to this. Considering the significantly reduced level of service and additional cost of re-provision, this option is **not recommended**.
3. Close indoor facilities at MSV, retain outdoor provision and consolidate indoor facilities at Waterfield (with some redevelopment of Waterfield possible e.g. adding a sports hall) - The same as above, this option could generate some value but without detailed plans and commercial appraisals it is not possible to determine if this option achieves the most value and community benefits. This option is **not recommended**.
4. Full options appraisal of MSV site for commercial development - Both leisure sites have additional space that could be considered for a range of mixed use options including hotel, offices, managed workspace units, housing, extra care units etc. the proximity of MMDR could have a positive impact on the development options. Assessment of commercial viability of such options will help identifying a preferred mix of uses that could maximise the value and use of these sites and generate capital/ revenue income that can be reinvested for community benefits. Option 2 and option 3 as mentioned above could be part of the aspects to be considered under this option. Consultation with sports clubs, Town Estate, LCC, Sports England and other relevant stakeholders and partners will need to be carried out

in pursuing this option. In order to achieve comprehensive benefits of the leisure facilities, this option is **recommended**.

3.4 Next steps:

The recommended option will mean that the Council is going to embark on a wider piece of work to undertake a full commercial development appraisal to explore how we extract the most value from the site and identify ways to fund the council's plans for future leisure provision. In order to do this, the following steps are proposed to be carried out:

- a) Carry out a stock condition survey to understand structural and maintenance liability of the buildings in full detail.
- b) Undertake due diligence process to consider covenants and potential legal constraints of the development of sites.
- c) Commission masterplans for both sites to include options for one or both sites being used for leisure provision and explore the development potential of surrounding open space.
- d) Consider a range of mixed use options including hotel, offices, managed workspace units, housing, extra care units etc.
- e) Prepare development appraisals for options to understand financial viability.
- f) Explore delivery mechanism by considering funding opportunities, investment models and partnership potentials
- g) Carry out soft market testing for proposed additional/ alternative uses and discussions with potential delivery and investment partners where required.
- h) Report back to Place Committee- Summer 2019.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 One of the priorities in the Corporate Delivery plan is to undertake feasibility into development of new Melton's leisure facilities and prepare/implement plan for the long term future of the Leisure provision.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 It is estimated that to undertake the required steps set out in paragraph 3.4 a budget of up to £60,000 will be required. This estimate will be tested through the procurement process. The latest budget monitoring position for 2018/19 indicate this could be met from existing budgets however the financial position for the current and future year is proving challenging. And it is to be noted that if the cost of this recommendation cannot be met from the saving, delegated authority will be requested from the Corporate Committee for the Chief Executive in consultation with the Leader to approve a supplementary estimate from the Corporate Priority Reserve.

6.0 LEGAL IMPLICATIONS

- 6.1 If the next steps cannot be met from identified savings within the 2018/19 then a supplementary estimate will need to be approved from the Corporate Priority Reserve. If authority is required, a report will be taken to the Corporate Committee who has authority to approve.

7.0 COMMUNITY SAFETY

- 7.1 The masterplans and delivery options will take into account community safety.

8.0 EQUALITIES

- 8.1 The Council's preferred delivery option following the proposed next steps will have to be assessed for equalities impact.

9.0 RISKS

L I K E L I H O O D	A	Very High		1		
	B	High		5	2	
	C	Significant				
	D	Low			3,4	
	E	Very Low				
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1	<p>A new facility is unaffordable and the public's expectations for a new facility are not met.</p> <p>Mitigation- the recommended option helps mitigate against this risk by proposing to explore financial viability before going ahead with a preferred option and seeking investment.</p>
2	<p>Stock condition surveys indicate the current assets have unaffordable repairing requirements.</p> <p>Mitigation- the recommendation is to commission this survey to identify the cost, based on which the next steps can be identified.</p>
3	<p>Appointed consultants are not capable, leave the work half way, do not understand the local context or come up with an unrealistic conclusion.</p> <p>Mitigation- Procurement of the recommended work will be carried out in line with the Council's procurement policy, with detailed brief and selection criteria for the consultants.</p>
4	<p>No viable option is found through the work commissioned.</p> <p>Mitigation- it is proposed to discuss the conclusion of the next commission with the members in order to have a wider understanding of implications and bring a report back to the Place committee informing the members of the</p>
5	<p>Due to potential sensitivities and local expectations, negative PR is created around the recommendation of this report by the local media and stakeholders at MSV.</p> <p>Mitigation- All stakeholders are being consulted as part of the process. A communication plan is being prepared to ensure all stakeholders are kept informed at all stages of the process.</p>

10.0 CLIMATE CHANGE

10.1 Individual schemes could have links to climate change issues. These should be covered in any associated reports and forms linked to those schemes as they progress through the decision making process.

11.0 CONSULTATION

11.1 The Council is meeting with the local sports clubs operating at the MSV and has invited them to bring forward their own development options for consideration as part of this process. All relevant stakeholders and internal teams will be consulted in the process of preparing plans and commercial appraisals.

12.0 WARDS AFFECTED

12.1 All wards will be affected as this is a borough wide service.

Contact Officer:

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Date:

19 October 2018

Appendices:

Appendix A – FMG report

Appendix B- Brief summary of the FMG report

Background Papers:

Reference: