

New Lichfield Leisure Centre Facility Mix

Cabinet Member for Major Projects

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Agenda Item: 4

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Key Decision? YES

Local Ward All Wards

Members



Cabinet

1. Executive Summary

- 1.1 This report outlines the emerging configuration of the new Lichfield leisure centre. This is not a finalised building design, rather an expression of scale and facility priority. The configuration is a product of a comprehensive assessment of resident needs alongside an assessment of affordability and deliverability.
- 1.2 Agreeing the outline configuration at this stage is critical to allow further work on the feasibility, community engagement / consultation, pre-planning advice and funding of the new Lichfield Leisure Centre.

2. Recommendations

That Cabinet approve:

- 2.1 The proposed outline configuration of the new Lichfield Leisure Centre.
- 2.2 Further development of the project, including site feasibility exploration, undertaking broad community engagement and consultation, obtaining planning permission and developing further external funding applications where opportunity permits.
- 2.3 Delegation of authority to make further amendments to the configuration and layout of the centre design to the Cabinet Member for Major Projects and the Head of Operational Services if these are essential to ensure deliverability.

3. Background

Background

- 3.1 Cabinet confirmed at its meeting on 7 October 2019 the Council's aspiration to invest in future leisure provision to address the limited lifespan of Friary Grange Leisure Centre. Cabinet also approved a contribution of £5m from borrowing in the capital programme to support future leisure provision.
- 3.2 Feasibility work on a new leisure centre commenced shortly thereafter, assessing strategic and community need to inform the design development of the centre. In parallel work was undertaken on the assessment of the optimal site for the new leisure centre – focusing on sites in Council ownership, within or adjacent to Lichfield City Centre.
- 3.3 Cabinet approved at its meeting on 6 October 2020 the selection of Stychbrook Park as the preferred site for the new Lichfield Leisure Centre. Throughout the summer, site investigation works have

progressed to assess the viability of the site in terms of ground conditions, ecology, transport and planning.

Assessment of Need

- 3.4 The starting point was a robust assessment of the sport and leisure needs of district residents up to 2040, completed in accordance with Sport England's Strategic Outcomes Planning Model guidance. Primary research was commissioned including both on-line and face-to-face surveys and focus group sessions with target groups. Key findings included that the age and quality of current facilities presented a barrier to participation.
- 3.5 Alongside the Lichfield-specific research, national participation data was analysed and modelled alongside projected demographic change to understand how need will change over time. Changes to participation patterns during and post the Covid lockdowns is also being considered.
- 3.6 The research is being developed into a Built Facilities Strategy. The draft strategy identifies that, in the context of a new leisure centre, the following facilities should be considered to meet the district's needs to 2040:
- 25m x 6 lane main pool
 - Teaching pool 15m x 10m with moveable floor to assist with access and egress and programming
 - 2 studios
 - 2 squash courts
 - Possible 2 court badminton hall with other physical activities alongside for younger children
 - Fitness facility
 - Provision of a junior fitness facility for those under the age of 15 years.
- 3.7 An assessment of this facility mix indicated a capital costs in the range of £15m - £17m.

Affordability

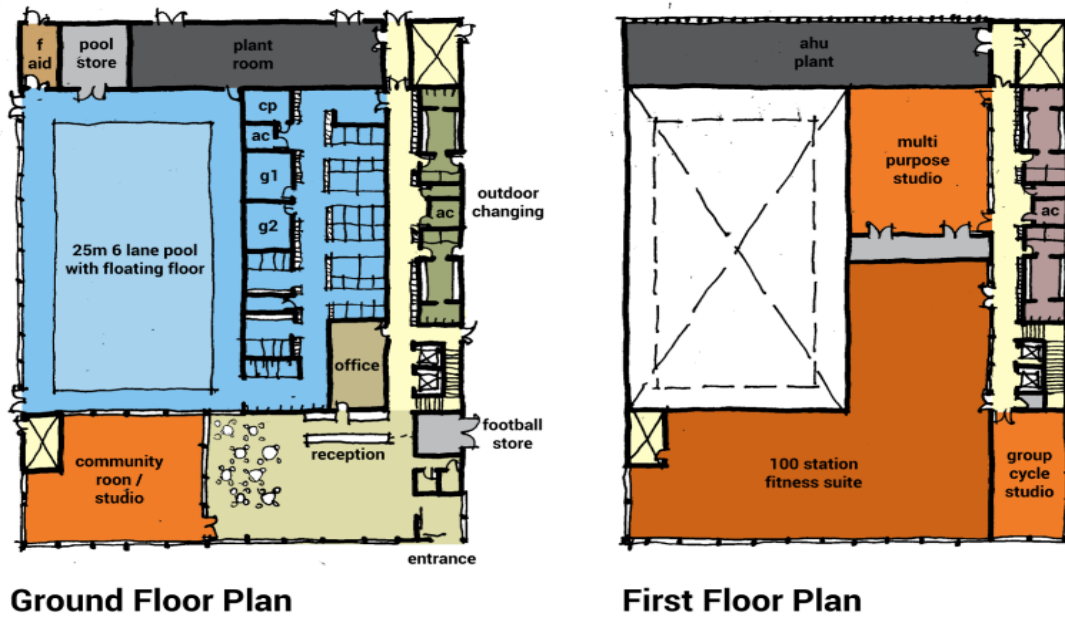
- 3.8 It has always been intended that external funding will contribute towards the capital costs of a new leisure centre. There are a range of external funding prospects being explored as outlined below. However, even assuming a positive approach from all funders, assembling external funding sufficient to close a funding gap of up to £12m is considered unrealistic. Furthermore, a key component of most external funding criteria is *deliverability* – proposing a project with such a large funding gap (70% gap) risks undermining the securing of any external funding.
- 3.9 It is therefore proposed to progress a more compact facility design as outlined in the section below at an estimated capital cost of £11.65m. On the basis that a 25m swimming pool is the anchor facility, this centre mix is considered the minimum viable option. The £6.65m capital funding gap remains a substantial challenge and presents the principal risk to the project.

Proposed Outline Configuration

- 3.10 The facilities proposed in the outline configuration currently comprise:
- 25m x 6 lane main pool
 - Fitness facility – 100-stations
 - 3 studios / multi-function rooms
 - 3G Football pitch (outdoor)

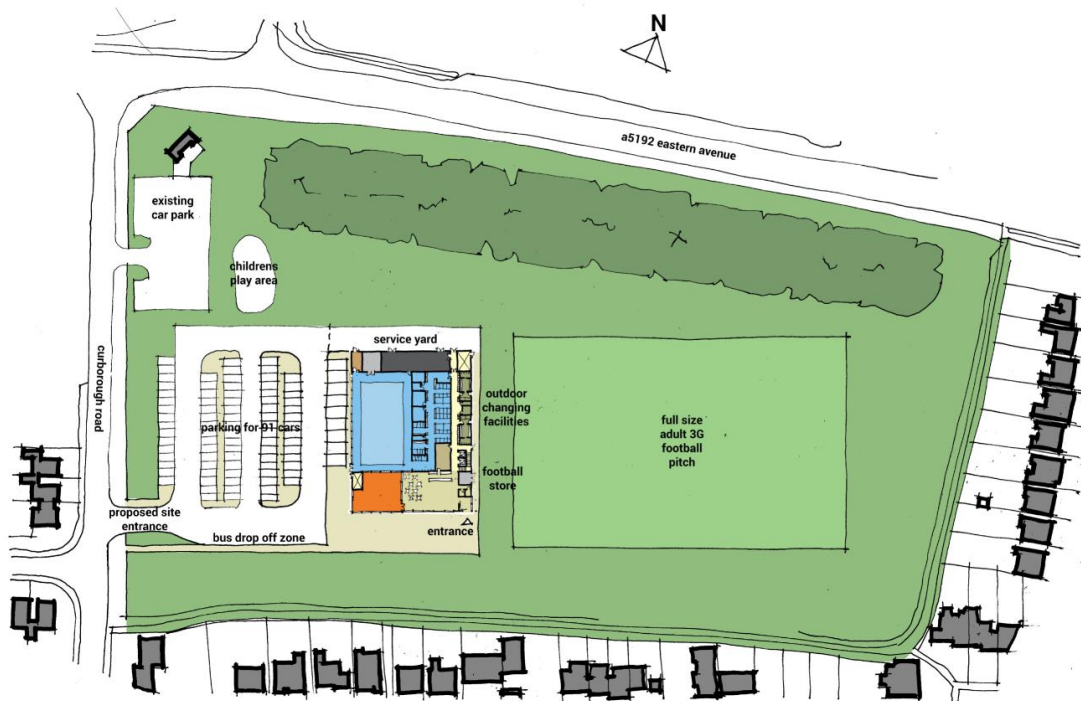
3.11 The proposed configuration for the new Lichfield Leisure Centre is presented in figure 1 below:

Figure 1: Indicative leisure centre layout



The centre is presented in the context of Stychbrook Park in Figure 2 below:

Figure 2: Indicative leisure centre in site context



3.12 This outline configuration reflects the optimal facility mix to encourage mass participation and to have the greatest impact on physical activity at a population level. By providing facilities at scale for swimming, fitness and football the centre will be able to deliver high levels of usage and deliver the activities that research indicates Lichfield residents are most likely to participate in.

3.13 A fundamental priority is the long-term revenue sustainability of the proposed facility. This configuration and facility mix will optimise the revenue performance of the centre, with the pool, fitness and football facilities presenting high throughput and high revenue potential.

3.14 The Medium Term Financial Strategy (MTFS) assumes a break-even operating position – requiring no subsidy from LDC (excluding funding the £5m borrowing). Current projections are that the centre with

this mix of facilities will achieve a revenue surplus, which is common in modern leisure centres (the current pre-COVID-19 contract for Burntwood Leisure Centre shows a material surplus from year 4 onwards). A forecast surplus could present an opportunity to support additional capital to contribute to the funding gap. However, it is acknowledged that the Covid-lockdowns may have altered the leisure market, which presents a risk to these surplus projections. Initial post-lockdown trading at both Burntwood and Friary Grange has been strong and the new centre operating at a deficit is considered unlikely.

- 3.15 It is important to stress this is not necessarily the final centre configuration, facility mix or site layout. It is however critical at this stage to start to identify the priority facilities and the scale at which we intend to build. By agreeing an outline facility mix, feasibility work can be further developed and meaningful discussions progressed with potential funding partners.
- 3.16 It is also important to highlight that this isn't the full and final resolution of Lichfield's facility needs to 2040. There are a number of facility needs identified in 3.6 that may not be delivered in this centre. Work will continue with partners to ensure a whole-system approach to meeting Lichfield's leisure facility needs, especially as participation patterns and demands evolve post-Covid.

External Funding

- 3.17 An application to the Levelling Up Fund (LUF) for £5m was submitted on 17 June 2021. LUF uses an index of need to target funding, categorising authorities as either 1,2 or 3; Lichfield has been allocated category 3 – the lowest priority. Although projects can apply to LUF for up to £20m (transport projects £50m) a judgement was made to bid for £5m, reflecting the low prioritisation of Lichfield and the compelling narrative of LDC matching the LUF funding “pound for pound”.
- 3.18 As Lichfield is in the lowest priority category, a successful funding outcome will be difficult. However the project does meet the key LUF criteria: it is a well evidenced project, it is “shovel ready” and able to complete within the LUF tight deadlines, it is low risk and has been well supported by Michael Fabricant as the local MP. Whilst the initial prospectus suggested funding decisions in the autumn of 2021, current indications are that decisions may not now be made until early 2022.
- 3.19 If the LUF application is successful, a procurement process would be undertaken to appoint a contractor and project manager through a framework to deliver a pre-existing design. This is considered the fastest, lowest risk, most cost effective option – critical factors in the LUF assessment. It could also see the new centre open significantly earlier than anticipated.
- 3.20 An application to the HS2 Community and Environment Fund (CEF) for £250k was submitted on 22 July 2021. The HS2 Community Engagement Team were supportive of the application and the impact of the phase one line is undeniable. CEF is a 2-stage application process with a final funding decision anticipated spring 2022.
- 3.21 An application will also be made to the Football Foundation (who administer grant funding on behalf of the FA) to support the development of the 3G football pitch. An application cannot be made yet as the pitch must start on site within 6 months of funding decision, but officers have been engaging positively with FA officers.
- 3.22 The project has been developed with support from Sport England and developed in accordance with Sport England facility planning guidance. It is hoped that an application can be made to Sport England's Strategic Facilities Fund, but the fund can only be accessed if Sport England actively solicit an application. Officers are engaging with Sport England regarding the new leisure centre project on an ongoing basis.
- 3.23 It is also anticipated that the project will be submitted as an infrastructure project for Community Infrastructure Levy funding during the current funding window.

Next Steps

3.24 Site investigations at Stychbrook Park began in the summer and will continue into autumn. Subject to favourable outcomes to the surveys, it is anticipated that outline planning consent will be applied for later this year. In parallel with this, work will continue to close the capital funding gap.

Alternative Options	<ul style="list-style-type: none"> Proposals for a more modest facility based solely on the allocated £5m funding could be developed. This may miss the opportunity to secure additional funding from partners to add value to the project. A more ambitious facility could be proposed, inclusive of all the facilities outlined in paragraph 3.6. The capital cost of such a facility is estimated in the region of £17m. Such a funding gap would represent an extremely high risk to the project. Developing multiple facility scenarios in parallel would be extremely resource intensive and risk undermining the deliverability of the project.
Consultation	<p>Sport England, Max Associates, Football Foundation Leisure Parks & Waste Management (Overview and Scrutiny) Committee agreed the building configuration 21.01.21</p> <p>Extensive resident consultation was undertaken as part of the needs analysis informing the project.</p> <p>Further consultation will be undertaken as part of the planning process.</p> <p>A microsite for the proposals has been launched</p>
Financial Implications	<p>The Approved Medium Term Financial Strategy currently assumes:</p> <ul style="list-style-type: none"> The new centre operates at breakeven and has no significant financial impact on Burntwood Leisure Centre usage i.e. income equals expenditure and therefore no income is received from or subsidy paid by the Council to its operation. The funding for a replacement leisure centre of £5,000,000 funded by borrowing. The cost of borrowing of £294,000 impacting from 2024/25 onwards for a budgeted period of 25 years. <p>Updated detailed financial modelling related to the outline facility configuration in a post COVID-19 environment will be developed in the next phase of work.</p>
Approved by Section 151 Officer	Yes
Legal Implications	<p>There are no legal implications at this stage.</p> <p>Legal implications will be covered in future reports as the project progresses.</p>
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	<p>Sustainable leisure centre provision in support of active lifestyles contributes to:</p> <ol style="list-style-type: none"> Enabling people – to live healthy and active lives. Developing prosperity – to enhance the district for visitors A good council that – is financially sound, transparent and accountable.

Equality, Diversity and Human Rights Implications	There are no equality, diversity and human right implications associated with the proposals at this stage. A full equality impact assessment will be conducted on the building design and an access statement will accompany the planning application.
Crime & Safety Issues	None at this time.
Environmental Impact	The proposed site is currently public open space. The environmental impact of any development will be explored in detail as part of subsequent site investigations and any planning application. Mitigation measures will be identified and agreed as appropriate.
GDPR/Privacy Impact Assessment	Not required.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Funding gap	Likelihood: Red Impact: Red Severity of Risk: Red	<ul style="list-style-type: none"> Applications to external funders Value engineering 	Likelihood: Yellow Impact: Red Severity of Risk: Red
B	Funding priorities – LDC ability to fund long-term borrowing	Likelihood: Green Impact: Red Severity of Risk: Yellow	<ul style="list-style-type: none"> Budget setting and management 	Likelihood: Green Impact: Red Severity of Risk: Yellow
C	Facility does not meet all Lichfield's facility needs	Likelihood: Red Impact: Green Severity of Risk: Yellow	<ul style="list-style-type: none"> Work with partners and local schools to ensure community access to facilities (esp sports halls & squash courts) 	Likelihood: Red Impact: Green Severity of Risk: Yellow
D	Revenue performance is less than projected	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	<ul style="list-style-type: none"> Continue to monitor post-Covid market performance Pre COVID-19 financial modelling projects an ongoing revenue surplus 	Likelihood: Green Impact: Yellow Severity of Risk: Yellow
E	The cost plan or the capital cost of the project increases due to surveys, planning/highway requirements, fit out, inflation, or changes in the legal, regulatory or operating environment or tenders exceed the budget.	Likelihood: Yellow Impact: Red Severity of Risk: Red	<ul style="list-style-type: none"> Watching brief on legal, regulatory or operating environment changes. Due diligence includes land surveys. The use of appropriate experts to inform cost estimates. The use of Sport England affordable sports centre approach. Full liaison in advance of the planning application with the Planning/Highways teams. Appropriate levels of contingency. Potential for value engineering. 	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
F	The Council breaches the VAT partial exemption limit because the VAT on construction costs are included in the calculation due to the receipt of VAT	Likelihood: Yellow Impact: Red Severity of Risk: Red	<ul style="list-style-type: none"> The Council utilises an external expert to provide specialist advice in this area. The use of a third party operator can assist in mitigating the risk. 	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow

	<p>exempt income. In the event of a breach, the Council would be unable to recover VAT on purchases related to all exempt activities in the Council. This would be an additional revenue cost of £120k to £150k per annum. The breach could occur due to:</p> <ul style="list-style-type: none"> • The Council operating the facility and receiving all of the facility income (that is exempt from VAT). • The Council not 'opting to tax' the facility and a Third party operator paying the Council a VAT exempt rental payment (higher than a peppercorn). • Conditions being attached to external funding meaning that in return for the funding, the funding body receives services or occupancy etc. The funding would therefore be deemed a 'rental payment' that is exempt from VAT. 		<ul style="list-style-type: none"> • The facility can be 'opted to tax' to assist in managing the risk. 	
G	<p>The preferred procurement framework is currently being reviewed and the new arrangement may require alternative approaches to be considered.</p>	<p>Likelihood: Yellow Impact: Red Severity of Risk: Red</p>	<ul style="list-style-type: none"> • To review the new framework and other frameworks during the time between now and appointment so that we can make sure we pick the right one to deliver the project in line with the project plan. 	<p>Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow</p>

Background documents

None

Relevant web links

None