

# FRIARY GRANGE LEISURE CENTRE

Cllr Elizabeth Little, Cabinet Member for Recycling and Leisure

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Agenda Item: 10

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Key Decision? YES

Local Ward Members Friary Grange Leisure Centre is situated in Chadsmead Ward and the Ward Members are Cllr Grange and Cllr Ray.



**CABINET**

## 1. Executive Summary

- 1.1 This report relates to Friary Grange Leisure Centre (FGLC) and the challenges that Lichfield District Council (LDC) needs to consider as part of either its continued operation over the next 5 years or closing the facility by 30 April 2020.
- 1.2 The FGLC building is nearly 50 years old and is getting to the end of its economic life and is in need of significant investment in order to keep it safe and weathertight for up to 5 years, with a minimum of £443,000 capital investment needed immediately and the likelihood of additional significant costs afterwards, which provide no betterment at the site. Staffordshire County Council (SCC) has stated that it does not intend to invest in the fabric of FGLC.
- 1.3 SCC has issued LDC with 12 months' notice of the 1971 Joint User Agreement (JUA) from 30 April 2019 with a termination date of 30 April 2020 as a result of an academisation process for Friary School. In consequence, LDC has issued Freedom Leisure (FL) with notice for the same period in order to comply with its contractual requirements.
- 1.4 SCC has also presented LDC with draft Heads of Terms for a 10-year full repairs and maintenance lease (with a break clause at five years), in order to continue to use certain aspects of the leisure facility from May 2020 onwards. The change in the way the property is to be managed and maintained from May 2020 will lead to additional revenue costs for LDC, if it was to continue to operate the leisure facility.
- 1.5 The additional cost to LDC of keeping FGLC open for the next 5 years is approximately **£948,000** and there is a likelihood that additional costs might be incurred despite this investment.
- 1.6 The net revenue cost to LDC of a permanent closure of FGLC over the next 5 years includes redundancy costs, a potential Sport England (SE) grant repayment and withdrawal costs. These costs will be offset by LDC not having to pay FL a management fee for FGLC from May 2020. The resulting net revenue cost is estimated at **£419,198**.

## 2. Recommendations

### 2.1

1. That it be recommended to Cabinet that the Council exits the building by April 2020 because of the unfavourable terms of a new lease being proposed by Staffordshire County Council, the current poor condition of the building and the level of investment that would be required to make good (option 1).
2. That Council be requested to update the Medium Term Financial Strategy accordingly based on the preferred option (option 1 in para 3.20) with £75,000 of the contract savings of (£101,202) set aside to fund the mitigation strategy and funding for the One off Costs identified of £520,400 provided by the Earmarked Reserve titled Leisure VAT Reclaim of £896,940.
3. The Council to work with Freedom Leisure to manage an orderly withdrawal of the leisure service at Friary Grange Leisure Centre by the end of April 2020.
4. To identify any possible alternative provision for leisure centre users and consider how a transition to these could be facilitated.
5. To develop a proposal within the next 12 months for how current and future leisure needs for the district could be met.

## 3. Background

- 3.1 Providing leisure centres and sports facilities (leisure facilities) is discretionary. Many councils choose to do so because ensuring that residents have access to appropriate and affordable facilities is a way of encouraging people to be physically active and thereby maintain and improve their fitness and health. Importantly we know that a large proportion across all demographics of our community see these services as important to them. Never-the-less this has to be balanced against ever decreasing Local Authority resources and the cessation of Revenue Support Grant and that money could be invested in people being more physically active as opposed to maintaining property.
- 3.2 There are currently two municipal swimming pool based leisure facilities in the district that serve the needs of the community, one in Burntwood and one in Lichfield. Burntwood Leisure Centre (BLC) is owned by LDC, FGLC is owned entirely by SCC who are landlords to LDC under a JUA. Both sites are operated by FL under contract to LDC until the end of January 2028.
- 3.3 Located to the north of Lichfield City, FGLC is situated on a dual use site with Friary School with several sections of the building being shared between academic use during the day time and community use during the evening. LDC has operated the leisure facility in this location since 1971 under a Joint User Agreement with SCC which is effectively an annual license to occupy and to use the premises as a leisure centre for community use during specified hours.
- 3.4 FGLC currently consists of a car park, reception area, 25m swimming pool and wet-side changing facilities including a designated changing spaces disabled changing facility, a lounge viewing area with vending food hall and seating, a sports hall (used for table tennis, trampolining, badminton, indoor cricket, bowls and fitness classes), 2 squash courts, a rowing machine room, 3 studios used for dance and aerobic activities, 29 station gym, dry side changing facilities and an outdoor all weather pitch used primarily for football. In 2013, the wet side part of the facilities were improved using a grant from Sport England.
- 3.5 The FGLC building is nearly 50 years old and at the end of its economic life. A recent visual condition survey (Jan 2019), commissioned by LDC and FL, identified up to £2.38 million of works that would keep the building safe, watertight, weather proof and the Mechanical and Electrical (M&E) working.

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- 3.6 From this £2.38m, a minimum of £443,000 (net of VAT) investment is needed to get the building safe, watertight, weather proof and operational for up to 5 years. This only deals with a 'fix' that stabilises the building so that it is operationally fit for purpose for a short period of time and additional elements of the £2.38m may have to be spent prior to the end of the 5 years. Without the minimum investment, it is probable that significant issues will materialise either when any repair works commence or over the next 5 years and that FL will be forced to continue temporarily closing FGLC, or that safety concerns at the building will worsen. FL were part of the discussions to identify the minimum investment needed.
- 3.7 The risk associated with a visual inspection could be significant insofar as it cannot identify additional challenges and problems that sit behind the visible face of a building. Therefore, more work might be needed and costs could increase as a result of unknown conditions. In addition, costs are likely to be incurred from year 6 onwards, if not beforehand, due to the 'fix' approach to keeping the building operational. SCC has stated that it doesn't intend to invest in FGLC or contribute to any capital works.
- 3.8 FL has already closed FGLC at times over the past 9 months because of concerns over Health and Safety due to the poor condition of the facility, breakdowns in plant, water ingress, exposed asbestos, and failure of electrical systems. Some parts of the building remain closed to the public due to damage from water ingress and exposed asbestos, but presently there is no Health and Safety risk. The current condition reflects a deterioration in customer experience with regards to closures but is perpetuated by the deterioration in décor and ambience, resulting in a loss of memberships and user numbers and leading to operational and commercial challenges for FL. FL has indicated that the current situation is untenable, unless significant investment is made to reduce the likelihood of temporary closures and resolve health and safety concerns.
- 3.9 With the assistance of Staffordshire County Council (SCC) Friary School is transferring into an Academy (Greywood Multi-Schools Trust), from July 2019. As a result of this academisation process, SCC has issued LDC with 12 months' notice of the 1971 Joint User Agreement from 30 April 2019, with a termination date of 30 April 2020.
- 3.10 LDC has issued FL with 12 months' notice to withdraw from FGLC with an exit timescale identical to the one that was issued to LDC. This was a contractual requirement and doesn't affect LDC's decision to continue operating FGLC should it choose to sign a new lease with SCC and invest in the facility. FL are aware of the current situation and has agreed to work with LDC on whatever outcome is most appropriate.
- 3.11 In parallel to issuing notice, SCC has presented LDC with draft Heads of Terms for a 10-year full repairs and maintenance lease (with a break clause at five years), which excludes the current usage of the sports hall and all weather pitch beyond April 2020.
- 3.12 The proposed lease is not favourable to LDC; primarily because it contains requirements for full repairs and maintenance on a building that requires significant investment to make good, it holds LDC to timescales that are not suited to its requirements (minimum 5 years term), and it removes the lucrative commercial elements of use that the council had previously which consequently makes the leisure centre less commercially viable.
- 3.13 For instance, the transfer of the sport hall and all weather pitch to the Academy will require LDC and FL to renegotiate their existing contract, estimated at an additional subsidy provision from LDC of £340,000 over 5 years to compensate FL for their loss of income. This figure has been calculated by Freedom Leisure.
- 3.14 LDC (and now FL) has historically paid a service charge to Friary School based on the JUA which refers to a share of capital and running costs based on the level of reserved hours which equates to

approximately £151,000<sup>1</sup> per year.

- 3.15 A full repairs and maintenance lease is likely to increase this share of running costs because there will be more management and maintenance responsibilities, estimated at £18,000pa. In addition a budget pressure exists because previous costs incurred by LDC (£15,000pa) and recharged to Friary School for the maintenance and operation of the swimming pool are no longer being recharged. Estimated to be an extra £33,000 to the £151,000, which equates to an additional £165,000 over 5 years (calculated from years 1-5) and is shown below with two other alternative scenarios:

	Freedom Annual Budget	Potential Financial Impact for the Council		
		More Pessimistic	Assessed Level	More Optimistic
Share of Running Costs	£151,000	£121,000 <sup>2</sup>	£18,000	£0
Joint Use Income	(£24,000)	£24,000	£15,000	£0
<b>Net Annual Cost</b>	<b>£127,000</b>	<b>£145,000</b>	<b>£33,000</b>	<b>£0</b>
<b>Cost over a five year period</b>		<b>£725,000</b>	<b>£165,000</b>	<b>£0</b>

- 3.16 If LDC was to hand back the property to SCC, it's likely that the leisure facility would close because it's unlikely that SCC or the Academy would want to operate it for public use or make the investment required to enable such. It is assumed that SCC will pick up the responsibility of decommissioning, mothballing and demolition of the site. SCC could also be accountable for any claw back by SE from the grant for improvement works at FGLC in 2013 (£200,400). A passport agreement passes this liability to LDC, however LDC could challenge repayment because terms under the Passport Agreement were broken by SCC when it issued notice to us.
- 3.17 LDC will pick up cost of redundancy [REDACTED] from staff that are currently employed by FL at FGLC as a result of contractual arrangements and will also incur any withdrawal costs (£40,000).
- 3.18 The contract with FL identifies the element of the contract price for FGLC as £797,564 over the ten year period 2017/18 to 2027/28 and FL have revised this to £662,579 if the centre closes:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027	Total
Bid	£46,511	£133,536	£96,977	£87,929	£77,121	£72,967	£68,725	£64,275	£59,976	£55,626	£33,923	£797,564
Revised	£46,511	£133,536	£96,977	£87,929	£25,397	£45,962	£46,251	£46,544	£46,840	£47,139	£39,493	£662,579
<b>Change</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>(£51,724)</b>	<b>(£27,005)</b>	<b>(£22,474)</b>	<b>(£17,731)</b>	<b>(£13,136)</b>	<b>(£8,487)</b>	<b>£5,570</b>	<b>(£134,985)</b>
<b>Saving over a Five Year Period</b>					<b>(£101,202)</b>							
<b>Saving over the remaining Contract Period</b>					<b>(£134,985)</b>							
<b>Recommended Mitigation Strategy</b>	<b>£0</b>	<b>£27,526</b>	<b>£25,000</b>	<b>£22,474</b>	<b>£75,000</b>							
<b>Net Saving after Mitigation (5 years)</b>	<b>£0</b>	<b>(£24,198)</b>	<b>(£2,705)</b>	<b>£0</b>	<b>(£26,202)</b>							

- 3.19 This has been recalculated in collaboration with FL to cater for non-saveable costs associated with running BLC alone, if FGLC was to close. The revised fee for the 4 years from 2020/21 to 2023/24 would produce a saving of £101,202<sup>3</sup> over five years. The saving up to the contract end would be £134,985. LDC would benefit by not having to pay this if FGLC was to close.

### 3.20 Conclusions:

- LDC/FL can continue to operate FGLC until the end of April 2020.
- In order to continue from May 2020, LDC will need to sign a new lease with SCC.
- The new lease creates more liabilities for LDC and increases its capital and revenue costs.

<sup>1</sup> The content of the costs associated with the £151,000 recharge are likely to change as a result of academisation, changes in roles and responsibilities, a revised JUA with the academy, business rates review and any additional management and maintenance.

<sup>2</sup> An illustrative level of 80% of the annual cost has been used to highlight spectrum of financial risk in this area.

<sup>3</sup> For the purposes of this report, the 5 year figure has been used to allow for consistency in the budgeting timescales.

- The council does not have a statutory obligation to provide or operate FGLC, nor does it have to directly provide a replacement if it was to withdraw from FGLC.

There are 2 options immediately available to LDC (Option 1 is the preferred option):

- To stop operating FGLC and hand the property back to SCC at the end of April 2020.
- To continue operating the facility under a new lease with SCC from May 2020 for the next 5 years.

1) Preferred option		To stop operating FGLC and hand the property back to SCC at the end of April 2020					
Advantages				Disadvantages			
<ul style="list-style-type: none"> <li>Financial risks are predictable and more controlled.</li> <li>All liabilities associated with an aging building are limited to May 2020.</li> <li>There is no long term agreement that ties LDC into a high cost, high risk situation.</li> <li>The saving in the FL contract payment could be used as part of the mitigation plan to support priority users.</li> </ul>				<ul style="list-style-type: none"> <li>It's likely that up to 42 people will be made redundant.</li> <li>It will reduce the number of affordable facilities and usable options for people and clubs in Lichfield.</li> <li>Could cause reputational damage to LDC.</li> <li>It will have an impact on the delivery of targeted activities including poor health prevention and management, preventing social isolation, diversionary ASB activities, healthy lifestyles and people with disabilities.</li> </ul>			
'One Off' Costs				Freedom Contract		Total	
Redundancy	Sport England Grant	Exit Costs	Sub Total	Existing Contract	Sub Total		
	£200,400		£520,400	(£101,202)	(£101,202)	£419,198	

2) Alternative option		To continue operating the facility under a new lease with SCC from May 2020 for the next 5 years.					
Advantages				Disadvantages			
<ul style="list-style-type: none"> <li>Affordable facilities and usable options for people and clubs remains available in Lichfield City.</li> </ul>				<ul style="list-style-type: none"> <li>There's no quantifiable outcome to managing the condition of the building at any future point.</li> <li>The risk of increasing revenue and capital budget pressures is significant and could worsen.</li> <li>The building could still close at some point in the future despite any investment.</li> <li>The current lease is not favourable to LDC because of the poor state of the building, lengthy timescales and the removal of commercial facilities.</li> <li>Increase in management responsibilities will require an increase in resource and capacity for at least 5 years.</li> <li>It provides less clarity for financial modelling and imposes more financial risk to the council.</li> <li>It doesn't identify what happens at the end of 5 years.</li> </ul>			
'One Off' Costs				Freedom Contract		Total	
Capital Investment		Sub Total	Contract Renegotiation	Sub Total			

			<b>Additional Maintenance</b>		
	£443,000	£443,000	£340,000	£165,000	£505,000
					<b>£948,000</b>

### **Mitigation**

- 3.21 It should be noted that there are currently no direct competitors for Friary Grange Leisure Centre and no mix of existing facilities that could meet the demand or the same range of provision with the same level of accessibility as those at FGLC. There are however a range of leisure offers within the district such as at Burntwood Leisure Centre, David Lloyd, PureGym, Gym Unity, Lichfield Health & Fitness club, Lichfield Golf & Country Club, King Edwards Sports Centre, Core Pilates Studio and Gymophobics (Female only) There are 20 more facilities within a 10 mile radius of Lichfield, but all of these are outside the District.
- 3.22 The council is committed to creating policies and delivery mechanisms that promote healthy and active lifestyles, creating and maintaining opportunities to increase the number of residents who are physically active. In particular, there is focus on addressing the needs of identified hard to reach groups.
- 3.23 A Mitigation Strategy would be prepared to enable the council to manage the process of closure as affectively as possible, should it choose to do so. This would not be a legal or statutory undertaking to LDC, but within reason it could make its best endeavours to mitigate the effects of closure for those identified in our hard to reach groups and provide support to others seeking an alternative.
- 3.24 This Strategy could identify potential alternative provision for leisure centre users and consider how a transition to these could be facilitated. It will also need to highlight those areas where there is limited or no local or sustainable alternatives for certain activities.
- 3.25 For instance this would have a significant impact on the delivery of targeted activities including: poor health prevention and management (such as the cardiac rehab programme), preventing social isolation, diversionary Anti-Social Behaviour (ASB) activities, and supporting healthy lifestyles and people with disabilities. It would also mean the loss of a swimming pool in Lichfield with no direct like for like replacement for swimming clubs, swimming lessons and the Lichfield Penguins disability swimming club.
- 3.26 £25,000 per year for three years 2020- 2023 has been calculated to support the delivery of the mitigation strategy, these funds will be used to target activities for the council's hard to reach groups as identified in the council's Physical Activity and Sport Strategy. Therefore it is suggested that £75,000 is set aside in an earmarked reserve to support the delivery of the mitigation strategy.
- 3.27 FL are contractually obliged to facilitate a well-managed, unhindered closure and have agreed to collaborate positively with LDC dependant on the decision that the council makes.

### **Future Leisure Provision**

- 3.28 If there is a withdrawal from FGLC, officers recommend that work should be progressed to determine how current and future leisure needs for the district could be met. In doing this the council would need to take account of National Planning Policy Framework (NPPF), Sport England Facilities Planning Model (SEFPM) and the Local Plan Strategy review.
- 3.29 The NPPF requires local authorities to base their planning policies on up to date evidence of need, and should "plan positively" to meet those needs. So the council will need to develop an evidenced and viable policy direction to meet the quantitative or qualitative deficits, related to leisure provision, as identified as part of the Local Plan Review process.
- 3.30 The SEFPM is an industry standard model, for Lichfield it identifies a current small marginal surplus of pool space and a shortfall in sports hall capacity up to 2029, based on current provision that includes

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‘private’ and non-municipal provision in its calculus. Withdrawal and ultimately closure of the FGLC pool would result in a significant undersupply of pool space to meet community need. If FGLC sports hall was to be unavailable due to the change in arrangements then the existing undersupply would be exacerbated.

- 3.31 The current Local Plan Strategy also identifies need for the delivery of improved indoor sports provision to serve Lichfield City and its hinterland as a key strategic infrastructure priority and confirms a commitment to protect, and where appropriate improve, services and facilities that provide a key function in the operation of existing communities. The Local Plan Strategy review has just started.
- 3.32 There are section 106 obligations relating specifically to the refurbishment of FGLC totalling around 245K, although the council has not received any monies to date. It could be several years before the council received it all and the investment is required now through the local plan review, the council will be looking to facilitate utilising these monies towards addressing alternative complementary leisure needs.
- 3.33 There are various ways this can be addressed and does not necessarily mean provision of built facilities to address such needs. For instance as well as signposting to other existing facilities we will work with Freedom’s Active Communities Officer to identify exercise opportunities that do not require new facilities, targeting people as opposed to premises.

Alternative Options	1. There are 2 options both of which are considered within the report.
Consultation	<ol style="list-style-type: none"> <li>1. Informal consultation has taken place with Freedom Leisure, Friary School, Staffordshire County Council and Sport England.</li> <li>2. The Leisure Parks and Waste (Overview and Scrutiny) Committee at its meeting on 12 June 2019 considered a report on this matter.</li> <li>3. At the Committee there was a request that we further negotiate with the County Council to create a short term stop gap for the facility to remain open and concern was expressed regarding the impact on Burntwood Leisure Centre and on residents. The Committee however recommended to Cabinet as follows:-             <ol style="list-style-type: none"> <li>a) That the District Council should exit the building by April 2020 because of the unfavourable terms of a new lease being proposed by Staffordshire County Council, the current poor condition of the building and the level of investment that would be required to make good the building.</li> <li>b) To work with Freedom Leisure to manage an orderly withdrawal of the leisure service at Friary Grange Leisure Centre by the end of April 2020.</li> <li>c) To identify any possible alternative provision for leisure centre users and consider how a transition to these could be facilitated.</li> <li>d) To develop a proposal within the next 12 months for how current and future leisure needs for the District could be met.</li> <li>e) That the Committee be kept apprised on the mitigation strategy and work on future leisure provision.</li> </ol> </li> </ol>
Financial Implications	<ol style="list-style-type: none"> <li>1. The cost to LDC of a permanent closure of FGLC is estimated at £419,198.</li> <li>2. The cost to LDC for keeping FGLC open for the next 5 years is £948,000. <i>(This is on top of the current subsidy costs already accounted for in the contract with FL).</i></li> <li>3. The difference between the costs of closure £419,198, compared to the cost of keeping FGLC open £948,000, over the next 5 years is likely to be £528,802.</li> </ol>

	4. The cost of the future leisure provision project will be met from existing budgets namely the vacant Head of Leisure Services post.
Contribution to the Delivery of the Strategic Plan	1. The Council's Strategic Plan describes healthy and safe communities as a corporate priority. In particular, the Plan states that 'we want local people to have access to opportunities to be active and live healthy, fulfilled lives'.
Equality, Diversity and Human Rights Implications	1. An Equality Impact Assessment has been completed. This identified that closure of the Centre would result in a loss of leisure facilities that would impact on the health and wellbeing of people of all ages. The mitigation plan will identify alternative provision for existing leisure centre users and consider how a transition to other facilities and activities could be facilitated.
Crime & Safety Issues	1. The Leisure Centre presents opportunities for activities diverting people away from anti-social behaviour.
GDPR/Privacy Impact Assessment	1. An evaluation has been completed which determined that a Privacy Impact Assessment does not need to be undertaken.

<b>Option 1</b>			
	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Be done in a disorganised way and affect the reputation of the council.	<ul style="list-style-type: none"> <li>Develop a Withdrawal Plan.</li> <li>Plan communication work</li> <li>Existing staff need consideration.</li> <li>Notify key partners such as SE.</li> <li>Robust Communication Plan in place.</li> <li>Explaining the closure to the community.</li> </ul>	M/H
B	Friary closes due to unmitigated Health and Safety risk within the next 12 months.	<ul style="list-style-type: none"> <li>Some limited investment works will be needed to prevent this type of occurrence but there's no guarantee of preventing a closure due to the condition of the building.</li> </ul>	M/M
C	Lack of proper communication regarding any further closures.	<ul style="list-style-type: none"> <li>Ensure the Communications Plan is robust and deals with the known range of issues and our reasons.</li> </ul>	M/M
D	Loss of Section 106 monies for refurbishment of Friary Grange Leisure Centre.	<ul style="list-style-type: none"> <li>Liaise with Developers regarding use of monies for alternative leisure provision.</li> </ul>	M/M
E	Financial forecasting isn't fully predictable due to the complexities of contracts, conditions of assets and 3 <sup>rd</sup> party involvement.	<ul style="list-style-type: none"> <li>The most up to date budgets are provided with updated versions on a continual basis.</li> </ul>	M/M

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<b>Option 2</b>			
	<b>Risk Description</b>	<b>How We Manage It</b>	<b>Severity of Risk (RYG)</b>
E	FL issue notice to LDC for FGLC and withdraw from the facility.	<ul style="list-style-type: none"> <li>Recent discussions have provided some surety that FL would continue to operate the facility if the capital investment is made and that FL are compensated for their loss of income as a result of facilities being withdrawn from use.</li> </ul>	M/H
F	LDC complete works that are abortive due to SCC withdrawal.	<ul style="list-style-type: none"> <li>Ensure that the position and agreement with SCC is agreed and in place prior to any investment taking place.</li> <li>Enter into a lease prior to any works taking place to secure investment.</li> </ul>	M/H
G	Significant failure from known risks cause injury.	<ul style="list-style-type: none"> <li>Deliver specific investment project if the centre is to remain open.</li> <li>No known serious H&amp;S risks are known of at the moment.</li> </ul>	L/H
H	Financial forecasting isn't fully predictable due to the complexities of contracts, conditions of assets and 3 <sup>rd</sup> party involvement.	<ul style="list-style-type: none"> <li>The most up to date budgets are provided with updated versions on a continual basis.</li> </ul>	M/M

Background documents

Relevant web links