

# **AGENDA ITEM 13: APPENDIX H**

## **WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE - 4 FEBRUARY 2014**

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**Title:**

**REFURBISHMENT – THE HERONS LEISURE CENTRE**

**[Portfolio Holder: Cllrs Julia Potts & Mike Band]**

**[Wards Affected: Haslemere]**

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**Note pursuant to Section 100B(5) of the Local Government Act 1972**

The annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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**Summary and purpose:**

The purpose of this report is to advise Members of the latest position in respect of the refurbishment of The Herons Leisure Centre, to select the design/refurbishment option required and approve the award of the contracts for the building works.

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**How this report relates to the Council's Corporate Priorities:**

Improving leisure is one of the Council's key corporate priorities and this proposed capital investment supports the achievement of this aim in the long term.

Refurbished leisure centres which are modern, appropriately equipped and attractive are significantly beneficial to the community increasing public participation in exercise and improving the health and wellbeing of the surrounding community.

**Financial Implications:**

Waverley's capital programme includes a total scheme budget of £2,820,000 for the Herons refurbishment. This figure is based on indicative costs for the extended gym, improved dry side changing rooms, the introduction of a dance studio and refurbishment of the wetside changing village, additional elements were also tendered as part of the process for works in the pool hall and reception area. All figures include contractor costs, fees, contingencies, fit-out, equipment and closure costs. The approved funding for this budget is mainly from Waverley's resources, including the £500,000 underspend on Godalming Leisure Centre budget, but it also includes a grant of £392,000 from Sport England towards the refurbishment of the wet changing rooms and a contribution from the Shottermill Trust's balances of £200,000.

The capital investment options will lead to further savings in the management fee charged by our contractor DC Leisure. Previous phases of the leisure investment strategy have generated an average return of 4.5% on capital spend and officers are ensuring this scheme produces a similar positive return.

Full capital proposals for all options have been worked up and are presented at (Exempt) Annexe 1 along with a revised financing statement. It is important to include these figures in exempt at this stage as the Council is still in negotiation with the contractor and DC leisure on the costs of the scheme.

### **Legal Implications:**

The legal arrangements for the refurbishment will be delivered through the proposed JCT contract between Waverley and the contractor Cosmur which will be commissioning the various works. This report seeks authorisation to appoint Cosmur to carry out the detailed refurbishment works on behalf of the Council.

One further element of consideration was the 'ownership' of the Herons Leisure Centre and the Council's relationship with the Shottermill Charitable Trust. The Trust's approval for the works to commence and for Waverley to act as the Trust's Agent in that respect was given at the Shottermill Trust's meeting dated the 10<sup>th</sup> December 2013. The agreement was prepared in accordance with the Trust's independent legal advice and it seeks to protect the Council's financial position as the major funder of the works to the Trust's building as well as giving clarity to the Trust about the arrangements.

Waverley has successfully achieved grant funding of £392,000 towards the refurbishment of the wetside changing village facilities and the funding legal agreement with Sport England has been completed.

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### **Introduction**

1. In July 2007, Waverley's administration made improving our leisure centres a central corporate priority committing to undertake large scale improvements to the leisure centres throughout the borough. In February 2008, the Council reaffirmed this commitment and approved capital works for the leisure centres in Cranleigh, Farnham and Godalming.
2. Refurbishments were completed on time and within budget in 2010 at Cranleigh and Farnham leisure centres and a new Godalming Leisure Centre were opened ahead of schedule in the autumn of 2012. This capital investment has enabled Waverley to create a strong leisure portfolio culminating in a substantial increase in leisure centre usage throughout the newly created centres. It is also worth noting that these refurbishments have also acted as 'invest to save' projects delivering a significant financial return on investment for the council.
3. Following the Council's manifesto pledge in May 2011, which included the refurbishment of the Herons Leisure Centre, officers have explored the potential for development of the centre and the associated impact on the management fee.
4. The Herons Leisure Centre was built in 1998 and is now sixteen years old. Given the age of the centre and the increasing demand, issues have started to arise regarding the facilities offered at the Herons. Total usage and customer satisfaction have decreased, which can predominantly be attributed to the condition and age of the facilities. In order to improve the quality of leisure provision capital investment is required.
5. Customer needs and expectations have changed considerably over the last sixteen years and the refurbishment of the leisure centre will provide the opportunity to review and address all of these aspects for the community.

6. In February 2013, the Council approved a capital budget of £2.820m and agreed that a tendering process should be undertaken for the Herons refurbishment project. In July 2013 Executive appointed Cosmur to carry out the works at the Herons. The project was split into 3 stages and a limited order was placed with Cosmur for work up to the completion of stage 2.
  - Stage 1: to appoint a 'lead contractor' to guide the process overall refurbishment process
  - Stage 2: to design, tender and cost the range of desired refurbishment options
  - Stage 3: to enter into a construction contract for the refurbishment works
7. Public consultation with users, non-users and key focus groups has helped inform the process and ensure the community's priorities are addressed. This important consultation was carried out by Ploszajski Lynch Consulting Ltd in early 2013 and their findings have been carefully referenced in the dispatched tender documentation.
8. Throughout the last six months officers have worked extensively with DC Leisure and Cosmur to create fully designed and costed proposals for the Council to consider. Officers have held detailed discussions with the development team to determine which areas will have the most positive affect on usage, the management fee and costs.
9. The intention, as delivered in Cranleigh and Farnham, is to minimise the service disruption throughout the refurbishment thus reducing the impact on the operation and usage of the centre. The key elements, to reduce closure costs and loss of income, will be to keep the gym in operation throughout the construction project and for a minimal pool closure period. Therefore phasing of works has been carefully considered throughout the process.
10. A planning application was made in November 2013 and will be submitted to the appropriate planning committee on 5 February 2014. The portfolio holders for leisure and finance, and other key stakeholders, have been involved in the development of the scheme throughout Stage 2.

### **Refurbishment Works**

11. The refurbishment works have been split into options for pricing to allow flexibility when choosing the final design. Detailed costs for these works have been worked on throughout the process.
12. The associated costs are attached at (Exempt) Annexe 1 and consist of:
  - a) Base works, which include;
    - i. Extending current gym area
    - ii. Creating a dance studio
    - iii. Enhancing the dry changing facilities
    - iv. Refurbishment of the wetside changing village
  - b) Additional items - As part of the process officers have also explored additional items that would benefit local residents and positively impact upon usage and therefore the management fee These are:
    - i. A full remodelling of the reception area.
    - ii Inclusion of a health suite
    - iii. Upgrading of the child soft play area
    - iv. Tiling to the pool surround.

- c) Bringing forward future lifecycle liabilities - Refurbishments create the ideal opportunity to bring forward future identified liabilities minimising closure periods, future capital costs and the impact to users of the centre. Waverley's annual capital budget included £405,000 worth of mechanical and electrical works as future liabilities by including these within the tender process and bring them forward will not only avoid future disruption to users and the but has achieved a saving of c£100,000.
  - d) As part of the detailed surveys carried further structural issues were also identified and the Council are in the position to be able to bring these forward as part of the refurbishment works, further reducing future impacts on users of the leisure centre.
13. In line with Waverley's adopted carbon reduction strategy the project team have also investigated energy saving options which deliver a financial return for the council as well as reducing energy consumption. These projects have been embedded within the lifecycle costs, increasing the energy efficiency as well as removing future liabilities and maintenance responsibilities.

### **The Edge**

14. This refurbishment project will ensure that the Herons Leisure Centre will have all of the updated facilities required for the foreseeable future. Whilst the Edge will provide excellent alternative facilities for customers during the Herons refurbishment works, after the project there will be less reliance upon the Edge to deliver activities on offer at the Herons. These proposed improvements will enable the Council to objectively review the operating model for the Edge into the future.

### **Conclusion**

15. The current facility at the Herons needs to be modernised and improved to reduce future operating lifecycle liabilities for the council, enhance the leisure offer to the residents, reduce energy, and complete the Administration's commitment to the leisure strategy. Investment within the building will extend it's usable life by a further 20 years
16. Officers have now completed proposals for the Herons refurbishment. Proposals have been developed in order to achieve cost-certainty about the works. The proposed additional works are invest-to-save options and produce a revenue benefit for Waverley which equates to a return of 4.4% on the Council's element of the funding. Additionally these proposals will also generate increases in usage and community benefits. It is recommended that all of the works detailed in paragraph 12 are undertaken in one project to be completed in 2014/15.
17. Members of the Shottermill Trust authorised Waverley to act as its agent with regard to these works in December 2013, where they also sought to support the project with funds of their own totalling £200,000.

### **Recommendation**

It is recommended that the Executive recommends to Council that:

1. subject to planning permission, the preferred contractor Cosmur be appointed to carry out Stage 3 of the base refurbishment works and approval of the final agreement of the contract terms be delegated to the Director of Finance and

Resources in consultation with the Portfolio Holders for Community Services and Finance;

2. Cosmur be appointed to carry out the additional refurbishment works identified in (Exempt) Annexe 1, recognising the agreed management fee uplift and the benefit to users of the centre, with the increased capital funds to be taken from the revenue reserve fund;
3. to reduce future disruption to customers and minimise risk of additional closure costs, that agreement be given to bring forward the identified lifecycle liabilities as detailed in (Exempt) Annexe 1, to be financed from the revenue reserve fund; and
4. a legal agreement be entered into with the Shottermill Trust to secure their funding of £200,000 and to protect the respective positions of the Council and the Trust with approval of that agreement to be delegated to the Director of Finance and Resources, in consultation with the Portfolio Holders for Finance and Community Services.

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#### Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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