

# **WAVERLEY BOROUGH COUNCIL**

## **EXECUTIVE**

**8 SEPTEMBER 2020**

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**Title:**

**Leisure Centre Investments update**

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**Portfolio Holder:** Cllr L Townsend, Portfolio Holder for Health & Wellbeing

**Head of Service:** Kelvin Mills, Head of Commercial Services

**Key decision:** Yes

**Access:** Public

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### **1. Purpose and summary**

- 1.1 On 17 July 2018, Council agreed a capital budget of £3.22m to fund improvements to the Farnham and Godalming leisure centres, subject to negotiation with Places for People (now Places Leisure) on future management fee payments. Council also agreed to enter into appropriate lease and/or contractual arrangements to enable an extension to the car park at Godalming Leisure Centre; and, committed to a multi-million pound investment in leisure facilities in Cranleigh and agreed that officers begin a detailed consultation, with the support of external consultants, to identify a potential location for the Cranleigh Leisure Centre.
- 1.2 Due to the impact of the Covid-19 pandemic on the operation of leisure centres, Places Leisure are no longer able to commit to the increased management fee negotiated pre-Covid-19. As a result, the expected return on the Council's investment is not achievable and the business case for investment in the Godalming and Farnham centres approved by Council falls away.
- 1.3 Whilst it is no longer possible to continue with the planned investment in Farnham and Godalming leisure centres, it is recommended that work continues to obtain Secretary of State approval for the disposal of an area of land at Broadwater School in Godalming to enable the extension of the Godalming Leisure Centre car park and for the development at Godalming Leisure Centre to recommence in the future; and, that the work to progress the multi-million pound leisure investment in Cranleigh continues within the framework of the Council's Recovery, Change and Transformation Programme.

### **2. Recommendation**

It is recommended that the Executive:

1. Notes that the investment in improvements in the facilities at Godalming and Farnham Leisure Centres are not being progressed;
2. Agrees that Officers progress with obtaining the Secretary of State's approval, in partnership with Surrey County Council, for the disposal of an

- area of land at Broadwater School in Godalming to enable the development at Godalming Leisure Centre to recommence in the future; and,
3. Agrees that the multi-million pound leisure investment project in Cranleigh continues at present but will be part of the Recovery Change & Transformation review of all corporate projects.

### **3. Reason for the recommendations**

#### **Farnham and Godalming Leisure Centres**

- 3.1 The impact of the Covid-19 pandemic and the mandatory closure of all leisure centres, and the ongoing impact on operating procedures and services fundamentally changes the business of leisure centres. Places Leisure have now confirmed that they can no longer commit to the increased management fee negotiated pre-Covid-19 based on the expanded facility offer as a result of the council's investment. As a result, the return on investment is not achievable and the business case for investment in the two centres approved by council falls away.
- 3.2 To ensure Godalming Leisure Centre is in a position for investment by 2023 it is important that the land identified as additional car parking to support an extension is secured by progressing the application to the Secretary of State to release a redundant area of school playing field for future use as a car park. There is support from both the School and Surrey County Council. Failure to do this would delay any future investment.

#### **Cranleigh Leisure Centre**

- 3.3 The age of the leisure centre and its ageing plant and structure means that major maintenance and repair costs now seem unavoidable. The centre is experiencing increasingly significant issues, which are forcing facility closures and have been heavily impacting services and the community since the beginning of 2020.
- 3.4 It is important therefore to review this project as part of the RCT programme as there may be significant merit in carrying on with the preparation work for investment in Cranleigh to reduce the risk of unnecessary maintenance and structural costs being incurred by the Council in the short and medium term to keep the facilities running.

### **4. Background**

- 4.1 On 17 July 2018, Council agreed:

1. A capital budget of £3.22m and for officers to progress with more detailed specification and procurement of the Farnham and Godalming leisure centre schemes, subject to negotiations with Places for People on future management fee payments (PfP);

2. The Farnham and Godalming schemes to be funded from S106 and developer contributions and capital receipts, as per the report, the final funding arrangement being delegated to the Strategic Director (S151 Officer) in consultation with the Deputy Leader;

3. Officers be given the delegated authority to negotiate the management fee terms

for the remainder of the contract with PfP, on the basis that the extended facilities are delivered;

4. Authority be delegated to the Strategic Director in consultation with the Deputy Leader to enter into appropriate lease and/or contractual arrangements to enable the car park lease extension at Godalming Leisure Centre; and

5. The Council commits to a multi-million pound investment in leisure facilities in Cranleigh and agree that officers begin a detailed consultation, with the support of external consultants, to identify a potential location for the Cranleigh Leisure Centre and report back to Executive.

- 4.2 Of the £3.22m budget, £1.75m plus contingency was to progress with the more detailed specification and procurement of the Farnham Leisure Centre scheme. The proposal included an extension to incorporate a children's soft play and climbing facility, with the addition of a larger café area. It involved the relocation of the current offices. Subsequently, in March 2020, the Executive agreed a revised specification for the improvements after the provider of the climbing facility informed the council that they were no longer interested in the Farnham Leisure Centre having already provided climbing facilities at nearby leisure centres. This decision is the subject of an outstanding call-in by the Community Wellbeing Overview & Scrutiny Committee.
- 4.3 Of the £3.22m budget, £1.543m plus contingency was allocated to progress with the more detailed specification and procurement of the Godalming Leisure Centre scheme. The proposal included an extension of the current site to increase the size of the gym by 35 stations, introduce a second dance studio and double the size of members changing facilities.
- 4.4 Following the commitment by the Council in July 2018 to a multi-million pound investment in leisure facilities in Cranleigh, work was undertaken by the Council's consultants to engage with local landowners to identify the preferred location for a new Cranleigh Leisure Centre. The scheme is based on current provision, including a main pool, teaching pool, gym and studio. However the final design and facility mix will be determined at a later stage, to meet future demand and to maximise provision and revenue return

### **Impact of Covid-19**

- 4.5 Covid-19 has materially impacted the leisure industry. All leisure centres were closed for several months. Full Council recently agreed a significant financial package for Places Leisure that has enabled the five Waverley leisure centres to reopen, with a contractual payment by the Council to Places Leisure.
- 4.6 Now they have reopened there are significant impacts upon how services can be delivered to ensure the requisite social distancing can be achieved, the enhanced cleaning regime introduced to ensure a safe environment for customers.
- 4.7 Places Leisure have now confirmed that they can no longer commit to the increased management fee negotiated pre-Covid-19, based on the expanded facility offer as a result of the council's investment. As a result, the return on the council's investment in expanded facilities at the Farnham and Godalming leisure centres is not achievable and the business case for investment in the two centres approved by council falls away.

- 4.8 It is proposed that any future leisure investment will coincide with the retendering of the Leisure Centre Management Contract which ends in June 2023. It is envisaged that the impact of the pandemic will be more clearly understood at this time and presents the best opportunity to achieve value for money for the Council.
- 4.9 To ensure Godalming Leisure Centre is in a position for investment by 2023 it is important that the land identified as additional car parking to support an extension is secured. Therefore, it is still necessary for the application to the Secretary of State to release a redundant area of school field for car parking to continue. There is support from the school and Surrey County Council. Failure to do this would delay any future investment.

### **Cranleigh Leisure Centre**

- 4.9 The age of Cranleigh Leisure Centre and its ageing plant and structure means that major maintenance and repair costs now seem unavoidable. The centre is experiencing increasingly significant issues, which are forcing facility closures and have been heavily impacting services and the community since the beginning of 2020.
- 4.10 There were a number of unforeseen closures between January and March 2020 due to the failure of plant and roofing - prior to the requirement from government to close the facilities from 23 March to August 2020. The risk of further structural issues and potential pool plant failure is high, due to the age of the building. If there is significant failure of plant a partial facility closure may be necessary.
- 4.11 The longer further investment in the centre is delayed, the greater the risk becomes of spending more to keep the facility operating ultimately increasing the expenditure required simply to maintain the centre in Cranleigh. Independent building surveys have concluded that to sustain the current building and facilities as they are (with no improvements) will cost the Council c£6m over the next 5 years.
- 4.12 It is important therefore to review this project as part of the RCT programme as there may be significant merit in carrying on with the preparation work for investment in Cranleigh to reduce the risk of unnecessary maintenance and structural costs being incurred by the Council in the short and medium term to keep the facilities running.

## **5. Relationship to the Corporate Strategy and Service Plan(s)**

- 5.1 The leisure investments directly link with Waverley's Corporate Strategy and the vision to promote and sustain: a financially sound Waverley, with infrastructure and services fit for the future; high quality public services accessible for all, including sports, leisure, arts, culture and open spaces; and a thriving local economy, supporting local businesses and employment.
- 5.2 The provision of quality leisure facilities in Farnham, Godalming and Cranleigh will directly facilitate the Council pledge to: encourage affordable access to sports and leisure facilities and the arts for all; improve leisure services across the borough, focusing on health inequalities in the borough and seeking to ensure that no area is disadvantaged; and improve facilities for young people.
- 5.3 Future investment in leisure facilities is based on a robust feasibility assessment that

offers value for money to the Council.

## **6. Implications of decision(s)**

### **6.1 Resource (Finance, procurement, staffing, IT)**

In July 2018 Council gave approval of funds for the Farnham Leisure Centre and Godalming Leisure Centre projects. The financing of this is, as previously approved, using both S106 and developer contributions and capital receipts.

Should the Farnham and Godalming projects not be taken forward the funds will be released. S106 and developer contributions will remain in reserves until they are spent in line with S106 agreements. Dependant on the requirements of each agreement and timescales involved, this may mean repaying some funds to developers. Capital receipts will be released and remain in reserves to enable other project financing.

A report requesting approval for funding for Cranleigh Leisure Centre will come forward in future months.

### **6.2 Risk management**

A comprehensive Risk Log is in place, which is monitored by the Leisure Investment Project Working Group and Leisure Investment Programme Board.

### **6.3 Legal**

The Legal Services team is supporting this programme of projects as part of the officers' leisure investment working group and the Leisure Investment Programme Board. Should the Executive agree the recommendations, legal advice will be provided in respect of the renegotiation of any arrangements with Places Leisure under the current management contract.

### **6.4 Equality, diversity and inclusion**

Not applicable to the recommendations in this report.

### **6.5 Climate emergency declaration**

The leisure centre developments are the opportunity to implement new energy efficiency options highlighted in the independent report to reduce the leisure centres carbon footprint.

## **7. Consultation and engagement**

7.1 The leisure investments were approved by Council in July 2018.

## **8. Other options considered**

8.1 Not applicable.

## **9. Governance journey**

9.1 Not applicable.

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

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