

Cabinet – 30 April 2014

Active Living (Leisure Centres)

Portfolio: Councillor A Harris – Leisure & Culture

Related portfolios: All

Service: Leisure & Culture

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary

- 1.1 On 24 October 2012 Cabinet confirmed that the overriding purpose of its leisure services is to contribute to the health and well-being of local people and delegated authority to the Executive Director for Neighbourhoods to undertake a series of tasks connected to a review of the council's leisure services. Officers have undertaken substantial research with residents, councillors and partner organisations to determine how the council's leisure services should be configured to contribute best to improving Walsall residents' physical activity and health. The data suggests that the greatest impact would come through a universal service underpinned by modern, high quality and cost effective Active Living centres delivering principally swimming and fitness provision.
- 1.2 The council's strategy is to improve its facilities, significantly increase the number of residents taking part in physical activity and thereby maximise the health benefits through the philosophy of "more people, more active, more often".
- 1.3 The initial phase of the council's strategy was to bring forward proposals to rebuild Oak Park and Bloxwich leisure centres. Planning applications were approved for Oak Park (13 December 2012) and Bloxwich (4 April 2013). Following Council of 23 September 2013 permission is being sought from the Charities Commission to build Bloxwich Leisure Centre on part of Leamore Park.
- 1.4 The Sport England Lottery Fund has also given an "in principle" Iconic grant award of £2 million to the council's project. They were specifically keen to support the council's borough-wide strategic approach to encourage "more people, more active, more often". The grant award is conditional on the whole scheme being delivered i.e. both new leisure centres. The complete project must also be delivered by the end of 2015. The project has also potentially attracted a further £0.3 million of external funding from the Football Association and England Squash and Racketball although these grants are not yet guaranteed.
- 1.5 The Department for Culture Media and Sport and Sport England have also earmarked one, and maybe two, of the London 2012 Olympic swimming pools to the Walsall project as part of the Olympic Delivery Agency's "Legacy programme". It

is highly likely that the project will not now take up this part of the offer due to higher anticipated operational costs over the 25 year planned life of the buildings.

- 1.6 On 24 April 2013 it was reported to Cabinet that the estimated price to build the two centres ranged from £15m to £21m. Cabinet agreed that an OJEU procurement exercise should be undertaken to seek competitive market tenders from the construction industry and to gain price certainty to build the two new leisure centres at Oak Park and Bloxwich. The procurement was structured in such a way to allow contracts to be awarded for the construction of both projects, or just a single centre.
- 1.7 Tender assessment was not just based on price (70%) but also on quality (30%). This decision was arrived at after careful consideration so that a cheap bid (but not poor(er) quality) could not win the tender process just by being cheaper. This approach ensures an overall best value for money position for the council and use of public money.
- 1.8 Tenders were received and a thorough tender evaluation and value engineering process was completed on 3 March 2014 with the lowest tender price being £22.076m plus fees of £466,625, a total of £22.543m for both centres.
- 1.9 The cost per m² on the total project costs is £2,373m². This has been benchmarked with other authorities who are currently procuring similar facilities; the Council's tender prices are in line with (or slightly below) prices received by other authorities, these being more in-line with £2,500m² or more. This suggests that whilst the council's tender prices are higher than anticipated they do represent good value for money in the context of the current state of the construction industry.
- 1.10 In line with the rules of the OJEU Procurement process the "best" overall submission for the construction of two new leisure centres is from ISG Construction PLC at a cost of £23.843m plus fees of £503,975, a total of £24.347m. The winning assessment takes into account not only the build cost of the centre(s) but also the lifecycle and running costs of the building. An appraisal of quality in terms of materials proposed along with five key areas of the buildings (reception / entrance, fitness suite, pool, café / bistro and changing rooms) was also judged as was the overall development and value engineering phase of the procurement process. As a result, the following table shows:-

Procurement Assessment table						
	ISG Construction			Thomas Vale		
Oak Park (BAFO)*	£12,731,313			£11,805,798		
Bloxwich (BAFO)	£11,111,382			£10,270,543		
Total	£23,842,695			£22,076,341		
Assessment Scores:-	OPLC	BLC	Both	OPLC	BLC	Both
	235.00	233.25	234.13	195.75	195.75	195.75
Rank	1			2		

* Best and Final Offer

- 1.11 As explained above, whilst initial build prices are £925,000 and £840,000 different for Oak Park and Bloxwich respectively, once the lifecycle, and operating costs are built into the model (the combined price), and the quality assessment factors are included, the more expensive submission is the *better overall* tender. When taking everything into consideration the proposal from ISG Construction PLC is the cheaper scheme over the 25 year period.
- 1.12 Discussions with Members in March 2014 identified a preferred reduced cost option of £15 million for the whole Active Living project. Officers have therefore identified the following summary options:-
- 1 Build new centres at both Oak Park and Bloxwich at the winning tender cost of £23.843m plus fees of £503,975, a total of £24.346m,
 - 2a Build a new centre at Oak Park as planned at the winning tender cost of £12.731m plus fees of £267,050, a total of £12.998 million, with the balance of £2.012m allocated to a refurbishment / modernisation scheme at Bloxwich,
 - 2b Build a new centre at Oak Park as planned at the winning tender cost of £12.731m plus fees of £267,050, a total of £12.998m, and undertake a new feasibility study of what scheme could be provided at Bloxwich without encroaching on Leamore Park, or
 - 3 Within a £15m budget, start the process again and procure two much smaller new centres
- 1.13 Option 1, 2a and 2b allow the Council to award a contract to ISG Construction PLC for the construction of a new centre at Oak Park. Work on site can commence in July 2014 and the provisional completion date will be October 2015.
- 1.14 Options 2a and 2b scale back the proposals at Bloxwich.
- Option 2a would be a modest improvement programme of circa £2m.
- Option 2b would take into account some recent local disquiet about building on part of Leamore Park; and would therefore entail a new feasibility study and consultation process to develop new proposals.
- 1.15 With regard to option 2a and the possibility of refurbishing Bloxwich, extensive on-site discussions were held on Monday 24 March 2014 at Bloxwich Leisure Centre with a company from the Constructing West Midlands framework. This was to identify some high level refurbishment / modernisation proposals for a budget of circa £3m. This proposal would include a fitness suite, dance studio, improved changing, reception, toilets and foyer.
- 1.16 A refurbishment scheme for option 2a has been submitted for a cost of £3.066m to which Property would add fees of circa £64,000, a total of £3.130m. It should be noted however that the building dates back to the 1920 / 30s and 1989/90. Any improvements are compromised by the age, design and site limitations of the existing building and site.

- 1.17 The health and wellbeing implications of the proposals are considered in section 9.
- 1.18 The purpose of this report is to agree whether to progress the rebuilding of Oak Park and Bloxwich leisure centres. Members now have a number of options to consider against which to deliver the council's philosophy of "more people, more active, more often".
- 1.19 Members will be fully aware that the council is currently facing a £108m reduction in its baseline budget. Savings of circa £20m have now been agreed by Council on 27 February 2014 from 1 April 2014. This will leave some £88m of savings to be made over the four-year period 2015/16 to 2018/19. Budget savings will therefore have to be made from either making further efficiencies, reducing or stopping services, generating additional income or encouraging services to trade commercially. The Active Living proposal falls into the last two categories.
- 1.20 The draft Cabinet report was presented to the Community and Environment Performance and Scrutiny Panel at a special meeting on Tuesday 8 April 2014. A very positive discussion concluded that the Panel's preferred choice was for Option 1; to rebuild both Oak Park and Bloxwich.

2. Recommendations

Recommendations are deliberative.

Cabinet is asked to consider and recommend one of the following options:-

- 2.1 **Option 1** – Delegate authority to the Executive Director for Neighbourhood Service, in consultation with the Portfolio Holder for Leisure and Culture, to:
- (a) accept tenders and award the contracts for the construction of the **two new leisure centres at Oak Park and Bloxwich to ISG Construction PLC** at the tendered cost of £23.843m, plus £503,975 fees, a total of £24.347m, and;
 - (b) accept Sport England's "Iconic" grant award of £2m in relation to those new leisure centres, and;
 - (c) authorise the signing or sealing of any deeds, contracts and other related documents in relation to such works; and;
 - (d) complete discussions with the Charity Commission with a view to obtaining authority to enable the proposed new leisure centre at Bloxwich to be on part of Leamore Park, including the negotiation of the financial implications / off-set for the use of trust land and / or the transfer of land for a land exchange.
- 2.2 **Option 2a** - Delegate authority to the Executive Director for Neighbourhood Services, in consultation with the Portfolio Holder for Leisure and Culture, to:

- (a) accept the tender and award the contract for the **construction of a new leisure centre at Oak Park** to ISG Construction PLC at the tendered cost of £12.731m, plus fees of £267,050, a total of £12.998m and;
- (b) commence a new procurement process (by way of utilising an existing framework agreement or a new tender exercise) to deliver **refurbishment / modernisation works to the existing leisure centre at Bloxwich at a maximum cost of £2m** (resulting in overall within overall project costs of £15m for the 2 centres), and to award the contract for such works;
- (c) authorise the signing or sealing of any deeds, contracts and other related documents in relation to any such works; and;
- (d) decline the in principle grant awards from Sport England and the Football Association that were predicated on delivering the construction of two new leisure centres.

2.3 Option 2b - Delegate authority to the Executive Director for Neighbourhood Services, in consultation with the Portfolio Holder for Leisure and Culture, to:

- (a) accept the tender and award the contract for the **construction of a new leisure centre at Oak Park** to ISG Construction PLC at the tendered cost of £12.731m, plus fees of £267,050, a total of £12.998m and;
- (b) **instruct officers to commence work on the feasibility of an alternative reprovion of Bloxwich Leisure Centre** based on satisfying local need and a reduced encroachment onto Leamore Park;
- (c) authorise the signing or sealing of any deeds, contracts and other related documents in relation to any such works, and;
- (d) continue discussions with Sport England with a view to either retaining the existing £2m grant or a new grant application to support the reprovion of Bloxwich Leisure Centre.

2.4 Option 3 - Terminate the current procurement process in relation to the construction of the two new leisure centres at Oak Park and Bloxwich and commence a new procurement process (by way of utilising an existing framework agreement or a new tender exercise) to deliver two smaller leisure centres at Oak Park and Bloxwich that focus provision on swimming and fitness for a maximum total cost of £15m.

2.5 In the event that Cabinet decide to recommend either option 1 (recommendation 2.1) or option 2a (recommendation 2.2) above, that approval be sought from full Council to amend the 2014/15 Capital Programme to include the capital investment required for the preferred option, or:

- 2.6 In the event that Cabinet decide to recommend either option 2b (recommendation 2.3) or option 3 (recommendation 2.4), to agree to receive a further report to Cabinet once the business case for alternative leisure centre provision has been developed.

3. Report detail

- 3.1 Cabinet received a report on 24 October 2012 confirming the overriding purpose of its leisure services as being to contribute to the health and well-being of local people. The report also outlined proposals to submit planning applications for two new leisure centres at Oak Park and Bloxwich and to submit an application to the Sport England Lottery Fund for grant funding of up to £2m. Sport England offered an in-principle £2m award on 19 March 2013.

Option 1 – 2 new leisure centres at Oak Park and Bloxwich

- 3.2 The facilities proposed for each leisure centre would be:-

Oak Park	Bloxwich
25m x 8 lane swimming pool	25m x 6 lane swimming pool
Teaching / learner pool	Teaching / learner / Brine pool
Moving boom / floor (ASA supported)	DDA / hoist access to both pools
DDA/hoist access to both pools	4 court sports hall
6 court sports hall	100 station Fitness Suite
100 station Fitness Suite	Dance studio
Dance studio	Multi purpose room
Health & beauty suite / spa	Meeting rooms
2 Squash courts (glass backed)	Café bistro, seating area
Café bistro, seating area	Toilets, changing, buggy park etc
Toilets, changing, buggy park etc	Management office
Artificial Turf Pitch (replacement)	<150 space car park
124 space car park (plus existing 123)	

- 3.3 Due to the recession and changing economic circumstances in the construction industry, there was an estimated price range of £15m to £21m to provide the two centres. As a result, Cabinet agreed on 24 April 2013 that an OJEU procurement exercise should be undertaken to gain price certainty on the cost.
- 3.4 Two tenders were received and a thorough tender evaluation and value engineering process was completed on 3 March 2014. Best And Final Offers (BAFOs) were confirmed on 20 March 2014 with tender prices (plus project fee costs) for both centres, varying by £1.804m, as follows. The financial analysis takes into account both the initial capital cost, the ongoing maintenance costs and the energy consumption.

- Lowest tender price - £22.076m plus fees of £466,625, a total of £22.543m
 - Highest tender - £23.843m plus fees of £503,975, a total of £24.347m
- 3.5 Tender assessment was not just based on price (70%) but also on quality (30%). This decision was arrived at after careful consideration so that a cheap bid (but not poor(er) quality) could not win the tender process just by being cheaper. This approach ensures an overall best value for money position for the council and use of public money.
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- 3.8 In line with the rules of the OJEU Procurement process the "best" overall submission for the construction of two new leisure centres is from ISG Construction PLC at a cost of £23.843m plus fees of £503,975, a total of £24.347m. The winning assessment takes into account not only the build cost of the centre(s) but also the lifecycle and running costs of the building. An appraisal of quality in terms of materials proposed along with five key areas of the buildings (reception / entrance, fitness suite, pool, café / bistro and changing rooms) was also judged as was the overall development and value engineering phase of the procurement process.

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overall tender. When taking everything into consideration the proposal from ISG Construction PLC is the cheaper scheme over the 25 year period.

3.10 As part of their £2m “Iconic” facilities award to the scheme, Sport England have approved the mix of facilities as one that makes the two new centres both attractive and ideal from which to sustain the business model, but will also enable the Council to achieve its philosophy of “*more people, more active, more often*”.

3.11 The council is however facing further budget pressures over the four year period 2015/16 to 2018/19 and possibly beyond. Furthermore the tender prices, even following a comprehensive value engineering process by some way exceed the top of the estimated range. Officers were therefore asked to consider alternative proposals that would meet the “*more people, more active, more often*” philosophy but for a capital cost of circa significantly less than the tendered prices. The following options are available:-

- 1) Build new centres at Oak Park and Bloxwich at the winning tender cost of £23.843m plus fees of £503,975, a total of £24.347m;
- 2a) Build a new centre at Oak Park as planned at the winning tender cost of £12.731m plus fees of £267,050, a total of £12.998m, with the balance of £2.012m allocated to a smaller Bloxwich scheme;
- 2b) Build a new centre at Oak Park as planned at the winning tender cost of £12.731m plus fees of £267,050, a total of £12.998m, and review the feasibility of an alternative reprovion of Bloxwich Leisure Centre based on satisfying local need and a reduced encroachment onto Leamore Park;
- 3) Within a £15m budget, start the process again and procure two much smaller new centres

3.11 The various options have been discussed with Sport England and their view is that whilst it is disappointing that Walsall is unable to pursue the two new facilities at Walsall as planned at this time, they do believe that the council’s overall strategy as outlined in the Lottery Fund bid remains correct. They believe that the proposals will deliver a sustainable leisure centre at Oak Park and that this has a good business plan. They have asked that the following be included within this report:-

Sport England have worked with the council to progress an application of £2m from the Iconic Facilities Fund towards the delivery of Walsall council’s sport and leisure review. The project has been supported to date based on the council’s clear strategic aim to deliver a sustainable leisure estate that will deliver increased physical activity, sports participation and improved health and wellbeing of local residents. More specifically the council has requested funding from Sport England to contribute to the replacement of Oak Park Leisure Centre that will also to enable the delivery of the wider strategy by; replacing Bloxwich Leisure Centre, and rationalising the existing leisure stock from four to three leisure centres.

Having contributed significant time and technical resource to the development of the project through stage 2 of the application process Sport England is satisfied that the council has achieved a good position in relation to the returned tenders for the construction of both leisure centres. Sport England is also satisfied that the business plan for the facilities is robust and will enable the council to significantly reduce on-going revenue operating costs whilst delivering long term sporting and health benefits.

Sport England is concerned that a decision to rebuild Oak Park and only refurbish Bloxwich will not realise the sport and health benefits or the long term sustainability of leisure provision for Walsall residents. Consequently the Iconic Facility Funding from Sport England will be at risk if the strategy to rebuild the two leisure centres is no longer progressed as presented within the original funding application.

Sport England would advise the council to undertake further feasibility work to establish the extent to which any capital investment to refurbish Bloxwich Leisure Centre is economically viable. Sport England will continue to offer support to the council to complete this assessment. If, as part of this process, rebuilding Bloxwich Leisure Centre was a preferred option Sport England would be prepared to progress the original application for £2m towards the delivery of the Sport and Leisure Strategy, providing it is within a reasonable timescale.

Sport England's funding decisions are all subject to formal panel decisions. However discussions with the allocated Sport England Case Officer have clearly indicated that should the council pursue option 2 this would represent a very significant departure from the funding proposal presented to Sport England in December 2012 and it is likely that the application for funding of £2m would not progress for a formal funding decision.

Option 2a - Bloxwich Leisure Centre Refurbishment

- 3.12 **Option 2a** would utilise the existing OJEU procurement process to award a contract to construct the new centre as proposed at Oak Park (see paragraph 3.2 above) at the winning tender cost of £12.731m plus fees of £267,050, a total of £12.998m. This would leave a balance of £2.012m, however after incurring project fees of £0.092m, this will leave just £1.92m to undertake improvements at Bloxwich.
- 3.13 There are a number of key factors that would need to be taken into account with a refurbishment scheme at Bloxwich, these being:-
- a) The OJEU tender prices are c.£1m higher per building than anticipated
 - b) Members have indicated a preferred investment of not more than £15m for the whole scheme
 - c) Some resident opposition has been articulated in recent weeks to the development of the new centre on part of Leamore Park
 - d) Any expenditure on Bloxwich will be spent on a building that dates back to the 1920 / 1930's, the "new" part being built in 1989/90
 - e) Charity Commission permission to build a new centre on part of Leamore Park is yet to be received.

However, it is also important to note that any re-development at Bloxwich will always be a compromise and will be limited by design, shape and site limitations. It was for these reasons that a new-build facility was originally proposed.

- 3.14 Proposals for a refurbishment / modernisation of Bloxwich with the remaining budget of c.£1.92m are currently under development with Wilmott Dixon as part of the free feasibility capacity within the Scape construction framework. Based on the initial feasibility report from Wilmott Dixon, the following refurbishment scheme is proposed as option 2a (recommendation 2.2):-

Bloxwich Leisure Centre - refurbishment
Fitness suite (100 stations)
Entrance / foyer refurbishment
New pool changing village
New health suite
Water features (for existing pool)

- 3.15 The Bloxwich refurbishment / modernisation option would retain the 1989 part of the building and the function hall; dating back to the 1920 / 1930's and could see an extension of the site to either the side or the rear, mindful of the resident opposition to development on Leamore Park. Initial discussions with planning officers have indicated such a scheme would require planning consent. Allowing for user and resident consultation, and the new planning application (thirteen weeks) it would take a minimum of six months from Cabinet approval to delivery. This would utilise a mini competition through a construction framework.
- 3.16 It is anticipated that the refurbishment option could be contained within the existing Bloxwich Leisure Centre site and in doing so avoid building on Leamore Park. This would address the opposition from the Friends of Leamore Park opposition to the planned development on part of the park that has been articulated in recent weeks. It would also avoid the requirement to secure Charity Commission consent for the development and the risk associated with this consent not being granted.
- 3.17 A refurbishment whilst offering a lower capital cost alternative would involve significant compromise. The centre was originally extended in 1989 and the centre layout reflects this with a lot of corridor space and a disjointed customer flow; further extension is unlikely to improve this situation. Fundamentally the centre would remain a 1920 & 1930's / 1980s construction with the liability associated with buildings of that age. The possibility of a refurbishment at Bloxwich was previously raised with Sport England; the response was that such a scheme would not represent good value for money and would not attract funding.
- 3.18 If Oak Park is built as planned, returning to a re-build option at Bloxwich creates the potential to resurrect the Sport England funding. Although this would likely be dependent on what the Bloxwich rebuild comprises, a Bloxwich rebuild would represent a return to the funding proposal originally presented to Sport England.

- 3.19 If the Sport England funding could be secured for a Bloxwich rebuild, this would reduce the capital funding required from the council by £1m to move from a refurbishment to a rebuild solution.
- 3.20 Subject to Cabinet and Council approval, Option 2a would allow work to commence on Oak Park in July 2014. Dependent on the solution decided for Bloxwich, subject to planning permission and procurement, Bloxwich's improvements could commence by late 2014 / early 2015.

Option 3 – Procure 2 smaller Leisure Centres

- 3.21 **Option 3** would require the cancellation of the existing procurement process as the changes would be deemed to be "material changes" and as such the OJEU procurement process would become invalid. Option 3 would be to use the £15m to provide two new but much smaller buildings.
- 3.22 For example at Bloxwich, an alternative to the refurbishment option could be a more modest rebuild, either contained within the existing site of encroaching onto a much smaller area of Leamore Park or the Education Support Centre site off Pin Fold. There are a number of *off the shelf* design solutions for medium size sports centres including Sport England's own *Affordable Sports Centres* – a solution that was not available at the time the previous Bloxwich scheme was developed. Sunesis also offer similar design options.
- 3.23 These models suggest that c.£7.5m could deliver a leisure centre (in effect one part of Option 3) comprising:-

Bloxwich Leisure Centre – medium rebuild
25m swimming pool
Fitness suite (100 stations)
Dance / Multi purpose studio (15m x 15m)
Ancillary accommodation (reception, changing)
Car Park

However, the scope of the centre may need to be amended given the higher than anticipated outcome of the current tender process and the high rate of construction industry inflation. A price-led procurement process should provide the scope to achieve this.

- 3.24 It would be possible to procure two identical leisure centres through a framework contract such as Scape or Constructing West Midlands and by taking such an approach it ought to be possible to demonstrate value for money. New planning applications will however be required as these will be completely new schemes. This option will incur a delay of approximately 12 months to enable the required work to be undertaken.
- 3.25 Construction inflation is currently running at c.7% and the budget will therefore buy less in 12 months than it will now. New planning applications will be necessary and cost in the region of £40,000. Any new survey fees will be at additional cost. Due to the current very buoyant nature of the construction

industry, whilst some 15 companies expressed an interest in working with Walsall in mid 2013, just 3 companies eventually submitted tenders; citing capacity issues as a major reason for not pursuing the work. Weak competition and rising prices are therefore a concern. This option will also incur the additional costs of meeting the new Part L Building Regulations; generally accepted to add a further 10% to any new construction costs.

- 3.26 The capital costs for option 3 present more of a challenge. This option reflects a similar intent in other authorities, notably Birmingham, to deliver mid-sized facilities to a maximum price of approximately £7m. The experience of the current procurement process, which has out-turned prices at the very top of the anticipated range, suggests there is significant risk that credible leisure centres may not be deliverable within this price. This risk is further exacerbated by the fact that there may be a further 12 months of construction inflation plus the Part L (additional 10%) costs before these contracts can be let. Birmingham's facilities are also different, being smaller, having no sports hall and also have very limited car parking. These schemes have some 100 spaces less than Walsall's proposals, these being defined by the council's relevant Planning policy of 1 space per 22m².

A further consideration in relation to option 3 is that, based on the suggested specification of the Birmingham facilities, such mid-sized facilities would also represent a reduction in provision at both Oak Park and Bloxwich, with most notably the omission of any hall provision. It should also be remembered that when Darlaston Swimming Pool was built in 1999/2000 it cost £6m.

Darlaston and Gala Leisure Centres

- 3.27 The current Leisure Strategy assumes no change to Darlaston centre.
- 3.28 At Council of 23 September 2013 Members asked that proposals be considered for a possible £1 million scheme at Walsall town centre's Gala Baths that would make substantial improvement to the appearance and functionality of the centre. Costed proposals have been put together however the Gala Baths was built in 1961 and the on-going operation of a facility more than 50-years old will always involve a significant degree of compromise. It would be unrealistic to expect a facility of this age to achieve the standards of cost efficiency and quality delivered by modern facilities.
- 3.29 Further work will be needed on how the greatest benefits might be secured from improvement of Gala Baths (by, for example, also considering the possibility of improvements to the adjacent council land and premises, including the existing library and museum buildings) and how the provision of sports and leisure facilities (including swimming) might be secured for the town centre. This will be the subject of future reports as necessary and proposals will be included in the Area Action Plan that is currently in preparation for the Town Centre and which will be the subject of future reports to cabinet as well as public consultation.
- 3.30 The Borough's Leisure Strategy has always included strategic support for Walsall College's plans to build a Business and Sports Hub on its town centre site. It is understood that these proposals now have the relevant funding and approvals in place.

4. Council priorities

4.1 The proposals will make a substantial contribution to several of the objectives of the Marmot review and the Joint Strategic Needs Assessment, as incorporated into the council's corporate plan, namely:-

- a) giving every child the best start in life
- b) enabling all children, young people and adults to maximize their capabilities and have control over their lives
- c) ensuring a healthy standard of living for all
- d) strengthening the role and impact of ill-health prevention.

4.2 The council's stated purpose is to maintain and improve the physical and economic environment for the health and well-being of all our residents within financial constraints.

4.3 The council also has other objectives against which it is measuring its future service delivery, including budget savings, impact on residents and businesses and staff morale. Taking these briefly in turn:-

1. Budget savings

The outline proposals contained within this scheme will have the following impact on budget savings:-

- By replacing some of the council's existing dated leisure centre stock this will have the overall effect of reducing the future maintenance costs of maintaining old facilities, and therefore avoid substantial future cost increases should the council wish to maintain its current provision of 4 centres (Oak Park, Bloxwich, Gala and Darlaston) however,
- The facility developments outlined in options 1, 2 and 3 will continue to require ongoing revenue subsidy from the council and is unlikely to result in cashable savings to reduce the £108m funding gap the council currently faces.

2. Impact on residents and businesses

The scheme outlined within this paper is clearly to increase the level of Walsall residents' activity (*"More people, more active, more often"*) as a key contributing factor to addressing the Borough's health inequalities. With conditions such as coronary heart disease, vascular disease, obesity, diabetes, cancer, stroke and osteoporosis being directly linked to little or no physical activity, this is a key proposal. It has been estimated that the annual health-related cost of physical inactivity in Walsall is at least £5.7m.¹

Improved activity levels, exercise and the social interaction that more often than not goes with this is major contributor to improved levels of mental health and well-being, personal happiness and feeling of worth. The overall outcome can in many cases lead to less time off work and a better overall quality of life.

¹ Sport England commissioned data from British Heart Foundation Health Promotion Research Group for PCTs and reworked into estimates for LAs by TBR. 2009/10. <http://www.sportengland.org/media/86925/Local-Authority-table-FINAL.pdf>

3. Staff morale

The current service staff are acutely aware of the vulnerability of their current positions, having been through a significant rationalisation of the service over the past 5 years and having been briefed on the scale of the financial savings facing the council and the service. The option of rebuilding the leisure centres and significantly increasing attendances have garnered significant interest and support amongst the staff.

5. Risk management

- 5.1 The business case is built on the assumption that new, well designed, attractive and well run leisure facilities will generate an increase in business that will reduce the current cost to the council of operating Oak Park and Bloxwich. Data collected from other centres suggest that the percentage increase in attendances and income built into the business case is realistic.
- 5.2 An initial risk assessment for the proposal has been completed. Financial risk is included in the next section.

6. Financial implications

- 6.1 Members will be fully aware that the council is currently facing a £108m reduction in its baseline budget. Savings of £20m were agreed by Council on 27 February 2014 from 1 April 2014. This will leave some £88m of savings to be delivered over the four-year period 2015/16 to 2018/19. Budget savings will therefore have to be made from either making further efficiencies, reducing or stopping services, generating additional income or encouraging services to trade commercially.
- 6.2 The council currently operates four leisure centres and manages associated activity such as outdoor pursuits, venue hire and sports development at an annual cost of £2.475m (2014/15 budget). Taking into account future maintenance and lifecycle costs, the annualised cost over 25 years of retaining the current service is projected to be £4.528m per year. This is the forecast worst case cost, assuming no new investment and a managed decline of the facilities. A financial model has been developed for options 1 (new facilities at Oak Park and Bloxwich) and 2a. If option 2a (a new Oak Park and the refurbished / modernised Bloxwich) were pursued the business case would be a combination of the historic performance from the retained facilities and the income and attendances modelled from the new business model.
- 6.3 It is not possible to model options 2b or 3 until there is certainty as to what facilities these would deliver. The advice from Sport England, the private sector, leisure consultants, leisure trusts and in-house services where new build facilities have been constructed is that they can operate at reduced cost (and sometimes nil cost) to the council.
- 6.4 Each model currently assumes that Darlaston and Gala will continue their current operations.

- 6.5 Work has been undertaken to develop, analyse and challenge the business case supporting the provision of this project and its aspiration to provide the two leisure centres. New, well designed and attractive leisure facilities will attract more people and, as a consequence, more income. The business case has taken this into account. Evidence from other councils and the private sector and independent validation of officers' revenue projections show that these centres can operate at a reduced subsidy.
- 6.6 The Walsall business case builds in estimated increases in income along with utility and other efficiencies. These estimated increases in attendances and income are based on a robust yet cautious assessment of the revenue potential of the component parts of the developments, supported by research from across the country where other local authorities have replaced old leisure centres with new, attractive and well designed facilities. Officers have also used data from Sport England's National Benchmarking Service at Sheffield Hallam University to substantiate these estimates.
- 6.7 The average percentage increase in attendance was found to be 112% following the opening of new facilities (based on a review of 19 schemes). However it is not clear how these attendances have translated into income increases and the net effect of cost to the council's concerned. In many cases, this has led to reduced net operating costs, however may not necessarily have reduced the total cost or subsidy and may have increased it, due to the additional borrowing costs incurred to fund the capital investment required.
- 6.8 Members requested that an additional external validation of officers' benchmarking and business plan proposals should be undertaken. Sport England recommended that their consultants Strategic Leisure (SLL) would be appropriate to undertake this task. Extensive analysis has been undertaken between Finance colleagues and Strategic Leisure and this has been used to inform the final financial model and to undertake sensitivity analysis, specifically around income projection forecasts for swimming and fitness activities.
- 6.9 A summary of the various options is shown along with more detail in the following sections, including the impact of sensitivity analysis. The costs and income for each option cover 25 years and are therefore shown as annualised figures, which is the average financial commitment required over the life of the project. For all options it is expected there will be no immediate financial impact on 2014/15 or 2015/16 and that borrowing and revised operating costs will kick in, in 2016/17.
- 6.10 The annual budget for Oak Park and Bloxwich is £933k for 2014/15. None of the options can be accommodated within this budget. All of the options require additional unbudgeted capital and revenue costs over and above the £933k available. This is summarised overleaf.
- 6.11 Scrutiny members requested that the cost be shown in diagrammatical form, therefore this is also attached at appendix 1. The costs shown in the chart are *prior* to any sensitivity analysis.

Summary of options

	Option 1 (2 new Centres)	Option 2		Option 3 (2 smaller centres)
		a) Refurbish BLC	b) Feasibility on alternative BLC	
Capital cost – Oak Park	£12,731,000	£12,731,000	£12,731,000	£7,400,000
Capital cost – Bloxwich	£11,111,382	£1,934,950	Not known	£7,400,000
Fees	£503,975	£359,050	Not known	£209,700
Capital cost	£24,346,357	£15,025,000	Not known	£15,009,700
Capital cost confirmed	Yes	Yes	No	No
Sport England Funding	£2,000,000	£0	Potential for £1,000,000	£0
Other funding	£300,000	£25,000	£25,000	£0
Total grants	£2,300,000	£25,000	Not known	£0
External Funding secure	Yes	Yes	No	No
Capital cost to Council	£22,046,357	£15,000,000	Not known	£15,009,700
Borrowing Costs	£1,393,000	£935,000	Not known	£935,000
Net Annualised Operating Costs (surplus)	£1,305,000	£1,435,000	Not Known	Not Known
Total Cost / (surplus)	£2,698,000	£2,370,000	Not Known	Not Known
Leisure Budget (OP & BLC)*	£933,000	£933,000	£933,000	£933,000
Additional Cost to the Council – more cautious scenario	£1,765,000	£1,437,000	Not Known	Not Known
Start on site – Oak Park	July-14	July-14	July-14	Apr-15
Start on site – Bloxwich	July-14	Dec-14	June-15	Apr-15
Completion - Oak Park	Oct-15	Oct-15	Oct-15	Mar-16
Completion - Bloxwich	Oct-15	Oct-15	Feb-15	Mar-16
Compared to existing – OPLC	Larger	Larger	Larger	Smaller
Compared to existing – BLC	Larger	Larger	Smaller	Smaller
Leamore Park risk (Resident opposition, Charity Commission consent)	Yes	No	No	No

* Budget is 2014/15 and is assumed to be effectively protected for the 25 years of the project and therefore is comparable with the annualised costs above.

** Health benefits are based on estimates of health costs avoided and an assessment of Quality Adjusted Life Years (QALYs) – please see section 9 below

Capital investment Costs

- 6.11 The capital cost of this option, utilising the preferred tender and including project fees, is £24.347m. This option attracts a guaranteed Sport England Lottery grant of £2m, resulting in a net capital investment requirement of £22.347m. There are other potential grant awards (£250k from the Football Association and £25k per centre from Squash and Racketball), totalling £275k. As these are not guaranteed at this point in time, the capital investment requirement for option 1 does not net these off. The annualised borrowing cost for option 1 is £1.393m.
- 6.12 As option 2a (a new Oak Park and a refurbishment at Bloxwich) would result in the loss of the grants and would be a scheme limited to £15m, this option would require prudential borrowing of £15m. Annualised borrowing costs would equate to £935k.
- 6.13 Option 2b would be subject to a feasibility study and consultation so costs cannot yet be quantified.
- 6.14 Delivering option 3 (two much smaller schemes) would also require prudential borrowing of £15m however at this stage there is concern from Leisure Officers that build costs for credible centres to meet community need could be significantly higher.
- 6.15 To undertake any of the three options shown above will require an amendment to the council's approved 2014/15 capital programme. Agreement to amend the programme could be made at Council on 18 June 2014.

Income Assumptions and Risks

- 6.16 The key risk to the model is income, and specifically swimming and fitness income. As already stated the model uses a cautious approach to income uplifts as whilst market research and analysis of how similar projects have affected demand have been undertaken, this has been somewhat limited in its findings. It is clear that there is an initial period of a substantial increase in attendance in most cases, however there is less clear data available as to how this has translated over a greater period of time into the net cost of delivery. Additionally, we have been unable to find any centre that, *including* the capital cost of investment, has delivered a surplus or breakeven position.
- 6.17 The current model therefore assumes:
- 6.18 **Option 1 –**

Swimming:

- A 50% increase in swimming income at both new centres on existing combined income levels of £393k, equating to additional income of £197k. Sensitivity analysis has been undertaken to understand the impact of changes to this to the current model.
- For every 10% increase in attendance if translated directly into income increases, generates c£39k of additional income per annum.
- Maximum capacity is highly unlikely to be deliverable, an estimated maximum best case increase, based on peak and off peak hours and

capacity, is an increase of 171% at Oak Park and 222% at Bloxwich. This could potentially generate additional income as follows:

- Oak Park - £661k – an additional £283k over and above the model used
- Bloxwich - £461k – an additional £249k over and above the model used
- This could generate an additional £532k of income, which would reduce the net cost to the council of this option from £1.765m to £1.233m
- SL advise this is within their benchmarks, however this has not been able to be validated as only attendance rather than actual income uplift benchmarks have been shared with us
- Caution should be used in using this figure as the only actual data on income provided by SL for a similar authority and facility size as Walsall, shows considerably less than the above % uplifts (at 79%), which is more in line with the 50% included in the current model figures.

Fitness:

- The current model assumes 20 members per station per month at a membership fee of £20. Based on 2 gyms of 100 stations, this equates to £480k per annum for both centres.
- SL's benchmark is based on generation of income of between £5k and £10k (incl VAT) per station, i.e. income of £500k-£1m. Our estimate is at the lower end. However SL also state that this depends on other factors such as local competition, local demand, demographics, historical usage, marketing and quality of management and the service. Leisure officers have confirmed that it is appropriate to use the lower figures.
- In terms of sensitivity analysis, an increase of 5 members per piece of equipment (at £20 per member per month for 100 pieces of equipment) equates to an annualised impact of c£100k.
- 75 members or £18k per station would be required for this option to achieve a breakeven which officers have agreed is significantly above even the highest benchmark (nearly double the highest benchmarked figure) and is not achievable.

6.19 Option 2a -

An increase of swimming income of 171% at Oak Park would reduce the net cost to the council from £1.437m to £1.154m. However, this should be viewed with caution as outlined above.

6.20 Expenditure costs are based on a combination of current and anticipated costs based on:

- Staffing costs – Anticipated staffing costs for the new builds (or refurbishment for Bloxwich in option 2b), including an annual assumption for pay awards and including management and overhead costs. These have been reviewed against SL's forecasts and operational staffing costs appear broadly consistent with these figures (Walsall's are higher due to forecast management costs).

- Property and energy related costs - these are based on a combination of property services advice and actual preferred bidder model costs. These are higher than SL costs which are based on a set % of build costs.
- Supplies – based on forecast costs plus an annualised replacement cost for sports equipment (the latter is not included in the SL figures, therefore adjusting for these, the comparators are almost identical)
- Support services – based on current cost, slightly higher than SL % assumptions.

6.21 The table below summarises the income sensitivity analysis carried out and impact on the total cost of each option. As stated above, a breakeven position is not achievable and is provided for illustrative purposes only.

<u>Sensitivity Analysis Summary</u>	Option 1 (2 new Centres)	Option 2a New OP & Refurbish BLC
Total Cost (as per table above)	£2,698,000	£2,370,000
Sensitivity Analysis:		
Swimming Income Adjustment*	(£532,000)	(£283,000)
<i>Revised Total Cost (1)</i>	£2,166,000	£2,087,000
Fitness Income Adjustment (30 members per piece of equipment) **	(£400,000)	(£400,000)
<i>Revised Total Cost (2)</i>	£1,766,000	£1,687,000
<u>Breakeven Position</u>		
Fitness Income Adjustment (75 members per piece of equipment)	(1,800,000)	(1,800,000)
Revised Total Cost (3)	(£34,000)	(113,000)

* Option 1 - based on 171% increase Oak Park & 222% increase Bloxwich, Option 2 – based on 171% increase Oak Park only

** At the mid-range of benchmarked figures

6.22 The following table shows the income generated per piece of gym equipment (per station) and how this relates to SL benchmarked data of between £5k and £10k per station.

Summary of Income Per Machine

Members Per Machine	Annual Income Per Machine (Incl. VAT)	Benchmark Comparison
20	£4,800	This is at the lower end of the benchmarked figures
30	£7,200	This is in the mid-range
75	£18,000	This is significantly above (nearly double) the £10k top end figures

7. Legal implications

- 7.1 Any contract for building works will need to be procured in accordance with the Council's Contract Rules and in accordance with legislation, including the Public Contracts Regulations 2006 (as amended) as referred to above.
- 7.2 Whilst there is no statutory obligation on the council to provide leisure centres per se, there remains an obligation to provide adequate recreational, social and physical facilities for school purposes.
- 7.3 The Bloxwich Leisure Centre proposal seeks to utilise land known as the Bloxwich and Leamore Recreation Ground, which is held by the Council on trust. The construction of a new leisure centre on the trust land is not permitted by the existing trust arrangement. As such, the trust land cannot be used unless or until the Charity Commission agrees to a scheme for the exchange of land, or they agree to off-set the value of the land with improvements to the trust land, or some other similar arrangement.

8. Property implications

- 8.1 The on-going future costs of the council's existing leisure centres, in particular Oak Park, Bloxwich and Gala Baths, will become increasingly expensive for the council whilst at the same time not providing fit for purpose facilities. The proposal to replace Oak Park and Bloxwich with modern, energy efficient centres will be essential to manage better, and reduce, future costs to the council whilst delivering an improved service to residents.
- 8.2 The construction approach for the new leisure centres is proposed as a design and build, lump sum contract to include the discharge of all planning conditions and statutory approvals, demolition of the existing buildings and all associated external works.
- 8.3 The Oak Park facility would be built adjacent to the existing artificial turf pitch and accessed from Coppice Road. The existing leisure centre would be demolished and re-instated as green space.
- 8.4 Planning permission for a new leisure centre at Oak Park on the existing open space from Coppice Road was granted by Planning Committee on 13 December 2012.
- 8.5 At Bloxwich a similar replacement facility is being considered. There would also be the potential to incorporate brine pool provision at Bloxwich – dependent on decisions regarding the future of Gala Baths. Planning permission for a new leisure centre at Bloxwich was granted by Planning Committee on 4 April 2013.
- 8.6 The constraints of the site at Bloxwich may require the full closure of the site so that it can be made available to the contractor to build the new centre quicker, more easily and hence also cheaper.

- 8.7 Three tenders were received however one was rejected for not being compliant. The submitted proposals were for a completely different scheme to that outlined in the council's employer's requirements document.
- 8.8 The two compliant tenders were assessed within the OJEU Procurement regulations. The Council had established an assessment framework of cost (70%) and quality (30%) and this was used throughout the process. As a consequence it was possible that a company might not win by just submitting a cheap price. The overall quality of their proposals and bid was also taken into account so that the council's investment would be protected. The outcome of the tender did in fact lead to the more expensive tender being judged the winner.
- 8.9 Assuming an instruction to proceed is issued in April 2014, the new Oak Park would be completed and open for business not later than December 2015. Due to the site constraints at Bloxwich requiring complete site closure of the site, the new Bloxwich site could be completed by September 2015.
- 8.10 Option 2 for a refurbished / modernised Bloxwich will required a new planning application and a new procurement process; possibly through a framework contract such as Scape or Constructing West Midlands. It is likely to be October 2014 before work could start on site.
- 8.11 Option 3 would require a completely new project starting from scratch on both sites. Taking into account other work and competing priorities it is likely that it would take a full 12 months before a viable scheme would be ready to present before Members.
- 8.12 There are a number of operational project costs depending on which build option is chosen. These costs include fees for CDM-C, Quantity Surveyor, Clerk of Works, Project Management, building regulations and have been incorporated into the overall project costs. Project costs are summarised in the table below:-

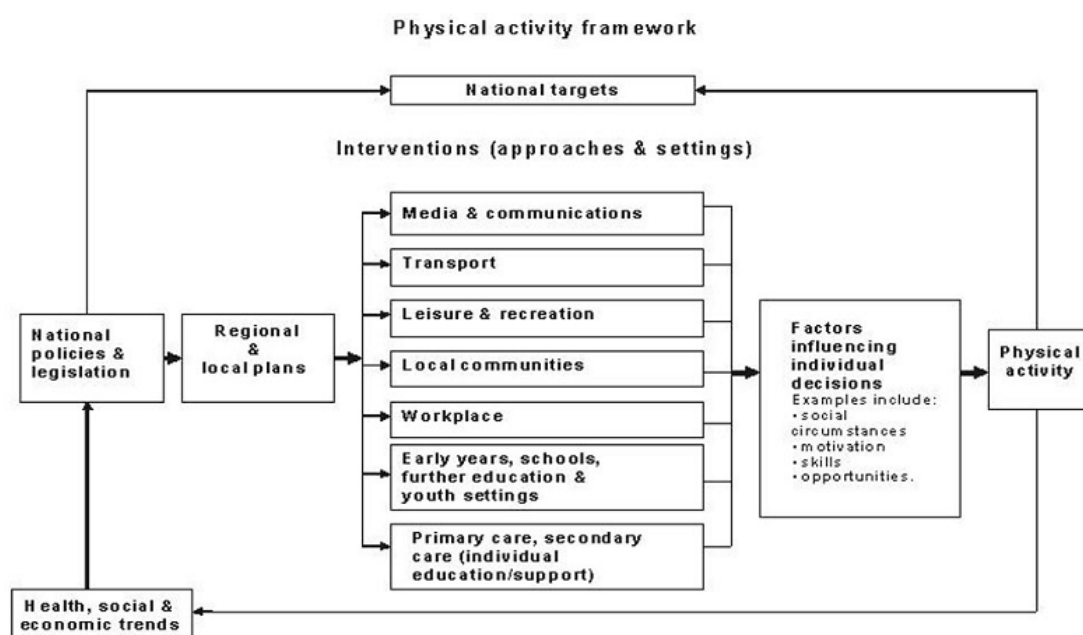
	Option 1 New OPLC New BLC	Option 2a New OPLC Refurb BLC	Option 2b New OPLC Alternative BLC	Option 3 2 New LCs for circa £15m
Fees	£503,975	£359,050	OPLC £267,050 BLC £tbc	£209,700

These costs will reduce the £15m and consequently also the £2.3m available for the refurbishment of Bloxwich still further, potentially to as low as £1.9m.

- 8.13 Whilst Sport England have offered one, possibly two, of the London 2012 Olympic "legacy" pools to the Walsall schemes, the tendered prices submitted by both companies have shown no cost benefit of taking up this option. Sport England would like to continue to discuss the possibility of including one of the stainless steel pools into the scheme but also believe that there are further construction cost savings to be made through Sport England's Head office liaison with a successful contractor.

9. Health and Wellbeing Implications

- 9.1 It is estimated that 170,000 Walsall residents do not currently meet physical activity guidelines (150 minutes per week/ 5 x 30 minute sessions per week) with 100,000 taking part in no exercise.
- 9.2 The annual health-related cost of physical inactivity in Walsall has been estimated to be at least £5.7m.²
- 9.3 National Institute of Clinical Excellence (NICE) Guidance recommends a strategic approach to increasing population level physical activity rates.³ A well rounded strategy will include leisure and recreational activity as well as other approaches in a variety of settings including active travel, recreation within green spaces, schools and workplaces (see figure below).



- 9.4 The recommendation of the four home countries' Chief Medical Officers is that at population level, the target of 150 minutes per week of moderate intensity activity will only be achieved by *helping people to build activity into their daily lives*⁴. Their report states that “the benefits of physical activity can be gained from activities that can be incorporated into everyday life such as regular brisk walking, using stairs and cycling. Physical activity does not have to be vigorous to confer protection”.
- 9.5 Increasing physical activity levels in Walsall will contribute to the prevention and management of over 20 conditions and diseases including coronary heart disease, diabetes, cancer, positive mental health and weight management.

² Sport England commissioned data from British Heart Foundation Health Promotion Research Group for PCTs and reworked into estimates for LAs by TBR. 2009/10. <http://www.sportengland.org/media/86925/Local-Authority-table-FINAL.pdf>

³ National Institute for Health and Clinical Excellence 2012; Local Authority Briefing: Physical Activity.

⁴ Start active, stay active: A report on physical activity for health from the four home countries. Chief Medical Officers, UK Department of Health, 2011

- 9.6 Improving uptake/ attendances through provision of high quality leisure services in the borough will contribute to these outcomes, although the impacts are currently difficult to quantify. Leisure centres play an important role in providing opportunities for large scale participation in physical activity.
- 9.7 If the current proposals are successful in delivering their targets in year 1, an additional 4,555 (option 2a), 5,551 (option 3) or 7,500 (option 1) residents will be taking part in at least one session of physical activity per week. At its peak in year 10, option 1 will deliver an additional 19,602 residents per year taking part in at least one session of physical activity per week.
- 9.8 The following factors will need to be taken into account in the decision making process to ensure that health benefits are maximised:
- Location of improved leisure facilities in relation to areas of deprivation and poor health. Bloxwich Leisure Centre is located within a catchment area of significant health inequality.
 - Ensuring appropriate access of target groups (ethnicity, gender and disability and low income) to leisure facilities in order to reduce health inequalities. A more targeted approach would derive greater public health benefit compared to the universal offer referred to in paragraph 1.1.
 - Ensuring that there is a focus on increasing rates of physical activity of those who are sedentary; the greatest health benefit is gained by from moving the completely sedentary to doing some activity (i.e. moving those from 0 x 30 to 1 x 30 minutes per week).
 - Ensuring focus on increasing frequency of attendance in addition to increasing the number of attendees; health benefits are maximised by regular and sustained participation in physical activity.
 - Ensuring that due emphasis is placed on other forms of community-based physical activity provision (sports clubs, walking, cycling) particularly in deprived areas of the borough with poor access to leisure centres or where there is a high prevalence of target groups who are unlikely to attend leisure centres.

10. Staffing implications

- 10.1 There are no staffing implications.

11. Equality implications

- 11.1 The proposals to replace the one or two leisure centres with modern, well designed, customer friendly facilities will offer equality of access to all Walsall residents without barrier to access or discrimination. An initial Equalities Impact Assessment has been completed and will be updated as the scheme progresses.

12. Consultation

- 12.1 Sport England (National and Regional level), Walsall NHS Public Health, English Federation of Disability Sport, the National Governing Bodies for: Swimming, Football, Badminton, Squash & Racketball, Volleyball, Basketball and Netball. Wolverhampton University, Walsall College, Mencap, whg, Community Activity Network, Black Country Shared Service working group (Leisure), West Midlands Pensions Fund, Strategic Leisure, Black Country Consortium Sports.
- 12.2 Public consultation was undertaken on the outline proposals for both schemes (Oak Park and Bloxwich) with effect from 16 October 2012 with comments reflected in the planning application. Additional consultation solely on Bloxwich was undertaken in December and January 2013.

Background papers

- Black Country Consortium strategy (2008)
- Building Schools for the Future (2008/10)
- Asset Management review (2009/10)
- Community Services Scrutiny & Performance Panel review (2010)
- Independent management consultancy on target groups (2010/11)
- Sport England consultancy from Sport England (throughout)
- NHS Walsall Public Health report 2010 "Future Proofing Health"
- Fair Society, Healthy Lives: Strategic Review of Health Inequalities (Marmot, 2010)
- Healthy Lives, Healthy People: Government Strategy for Public Health in England (2010)
- Sport England design papers

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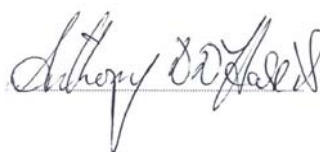
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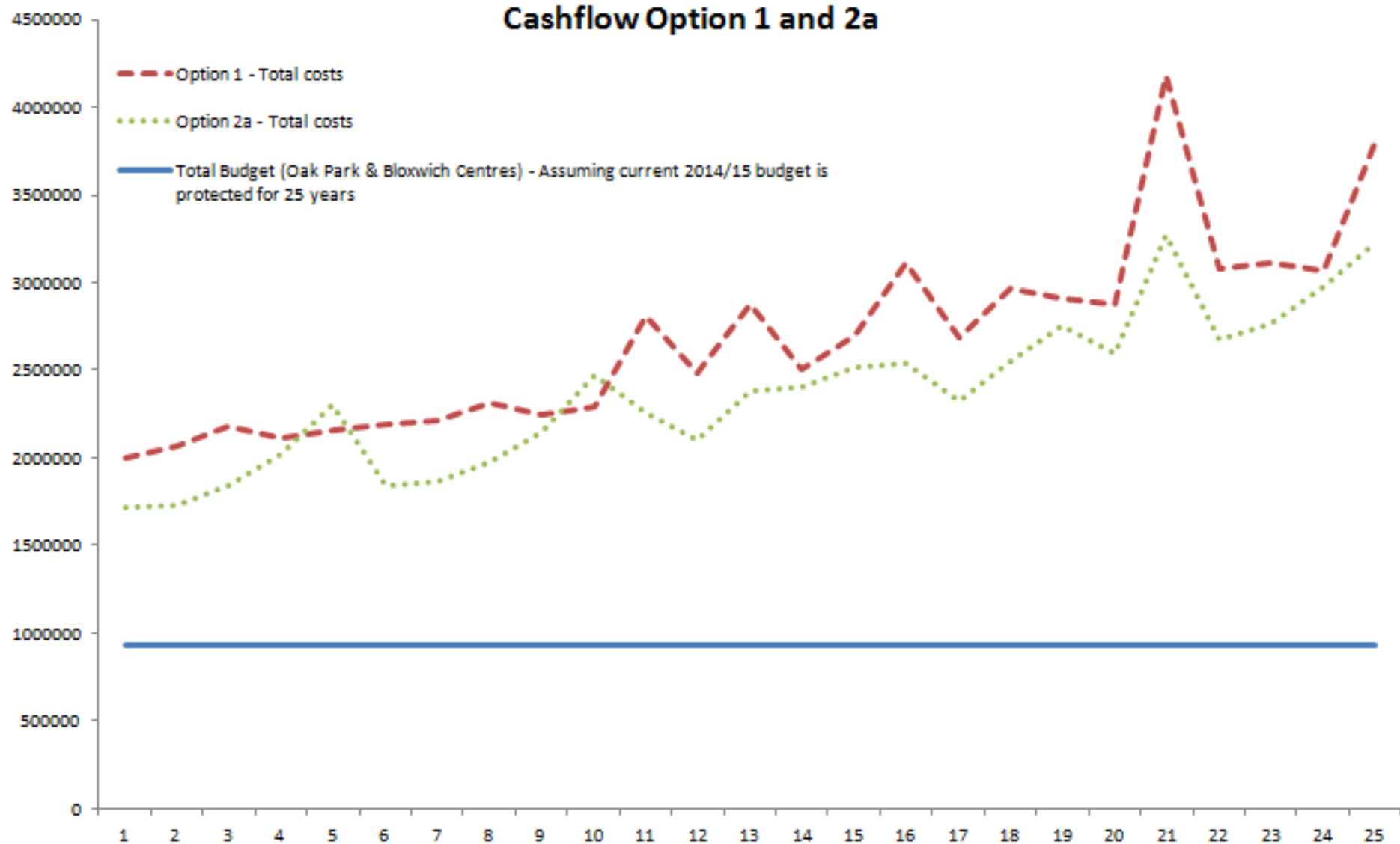
17 April 2014

Councillor A Harris
Portfolio Holder, Leisure & Culture



17 April 2014

Cashflow Option 1 and 2a



Note - Peaks in above lines are mainly as a result of fluctuations in Property maintenance and Lifecycle costs over the 25 year period