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**Meeting of the Cabinet - 14<sup>th</sup> December 2016**

**Report of the Strategic Director Place**

**Review of Leisure Centre Provision within Dudley**

**Purpose of Report**

1. The purpose of this report is to set out the current position with regard to the review of Leisure Centre provision in Dudley and set out the next steps to be taken in order to reach a position where a 'Full Business Case' assessment can be undertaken in respect of the preferred model for future provision of Leisure Centre facilities within Dudley.

**Background**

2. The Council currently operates 3 public leisure centres in Dudley, Halesowen and Stourbridge (Crystal Leisure Centre) and also The Dell Stadium. Since 2005 the overall level of Council provision of leisure facilities has reduced following the closures of both Brierley Hill Leisure Centre and Coseley Swimming Pool. Members should note that the provision of Leisure Centres is not a statutory requirement and is therefore provided at the discretion of the Council
3. The Council's Leisure Centres cater for 1.2m visits per annum generating £2.87m of income. Following significant capital investment in health and fitness facilities across the sites in 2009, membership levels increased from 650 to over 4000 currently. However, the Council's Sport Facilities Strategy identifies that only 8.5% of the population actually use Leisure Centres.
4. Overall, there is a net operating deficit within the service of £1.904million per year – that is, the extent to which the Council is required to subsidise the service in order to sustain it. The operational subsidy for each facility in 2015/16 is outlined below:

• Dudley Leisure Centre	£523,000
• Halesowen Leisure Centre	£246,000
• Crystal Leisure Centre	£977,000
• Dell Stadium	£158,000
5. The Dell Stadium provides a unique range of facilities compared to the three Leisure Centres and therefore this report focuses upon the three Leisure Centres only, omitting The Dell from analysis. Therefore, the subsidy provided to the Leisure Centre service, taking 2015/16 as the typical example is circa £1.746m per annum.

6. Generally the facility stock is ageing and will require significant investment to retain operational integrity going forward. It is recognised that as facilities get older and are not refurbished, the less attractive they become to users. It is also true to say that there is increasing competition in the form of provision of privately run gyms due to increasing trend towards gym membership / active lifestyles over the past decade. It is clear that in terms of gymnasium provision (free weights, weight machines, gym stations, running machines and exercise cycles etc), there is a significant range of private sector provision across the borough, available in many cases at prices that are similar to the cost of accessing Council provided leisure facilities. Appendix A to this report identifies the public and private sector provision of Health and Fitness, Swimming and Sports Hall facilities across the borough.
7. It is particularly evident that there is a significant provision of 'dry side' activity (gyms, studios etc) in the private sector.

### **Assessment of Sports Provision in Dudley**

8. Sport England and the Amateur Swimming Association are supporting the Council to undertake an assessment of sports facility provision in the borough and the development a Facilities Strategy and Options Assessment. This will sit alongside the Physical Activity and Sport Strategy and the Playing Pitch Strategy both of which were also supported by Sport England through grant funding.
9. The facilities strategy work includes swimming pools, sports halls, other specialist indoor facilities and major outdoor facilities such as athletics tracks and the Velodrome in Halesowen. Initial findings from the assessment stage of the strategy are:
  - Around 8.5% of Dudley's population attends a gym / sports hall at least once a week.
  - There is an insufficient supply of swimming pools in the Borough to meet demand, and the stock is aging and poor quality
  - There is sufficient provision of sports halls in the borough to meet demand, but again much of this is of poor quality and aging.
  - There is the potential to make a saving on the revenue costs of the current service. The most lucrative option appears to be to outsource management of the service to a Trust arrangement.

### **Review of Leisure Centres**

10. As a result of the high level of subsidy required in order to provide Dudleys Leisure Centres, the fact that they no longer meet modern requirements and due also to the significant maintenance requirements for each centre, a review of Leisure Centres was commissioned with the objectives of;
  - Seeking to eradicate the operational subsidy required in order to operate Leisure Centres
  - Suggest and model options to achieve an operational cost neutral position
  - Identify a preferred and sustainable model for future leisure provision
  - Ensure that Dudley's children have the ability to learn to swim in accordance with the requirements of the National Curriculum, Key Stage 2.
  - Seek to increase the number of residents utilising the boroughs sports and leisure facilities

11. A detailed assessment and option appraisal process was undertaken, modelling ten options, based around variations on;
  1. Complete closure of one or more centres
  2. Refurbishment of existing centres
  3. Provision of new centres
  4. Outsourcing management arrangements
12. In any option that retains leisure provision moving forward, the option exists to outsource the management of the centre(s). However, no final decision will be taken as to the management model to be utilised until the full business case is developed.

### **Maintenance Requirements**

13. Crystal Leisure Centre is the most recent addition to the Borough's Leisure facilities and is now 26 years old. However, in terms of Leisure provision, this would place it near the end of its operational life and thus in need of significant refurbishment in order to maintain the integrity of the building and to ensure that the Centre provides an offer that reflects modern requirements.
14. In terms of the condition of the centres, Crystal is suffering from deterioration (spalling) of concrete and reinforcements, the passenger lift regularly breaks down and a second boiler replacement is required. Halesowen Leisure Centre is over 50 years old and has significant maintenance requirements. In particular, the essential air handling unit (AHU) is constantly in need of repair and will require replacement at an estimated cost of £500,000 The flat roof at Dudley Leisure Centre, which is 38 years old, needs complete replacement and will cost over £500,000 to replace.
15. Stock condition data has been collated on the basis of a visual inspection of the buildings concerned. In order to not compromise the operational integrity of the centres, no intrusive assessment was undertaken and it is therefore considered likely that additional costs would be identified should such intrusive works be undertaken.
16. However, based on the visual inspection, the cost of bringing the current centres to a reasonable state of repair in their current form (IE no major remodelling etc) is as follows;

Crystal –	£0.844m
Halesowen –	£1.450m
Dudley –	£0.802m
Total -	£3.096m
17. For comparison against new-build costs, a 'standard' for heavy refurbishment, including some internal remodelling in order to make the centres more appropriate for modern leisure provision was also considered, based on £1500 per square metre. This would result in the following estimated costs;

Crystal –	£9.6m
Halesowen –	£4.05m
Dudley –	£5.4m
Total -	£19.05m

18. Consideration was given to merely exploring the provision of 'wet' activities.(IE swimming pools) on the basis that this is the element of provision which the private sector do not generally provide. However, it is clear that the 'dry' provision of gyms and studios etc subsidises the provision of pools which are costly due to the requirement for plant and machinery, energy consumption to warm pools and the provision of lifeguards. As a result, a 'shortlist of viable options capable of facilitating a 'subsidy free' service, was identified;
- Replace the 3no. existing centres with 2no. new centres (north and south)
  - Replace existing with 1no. centre (centrally located)
  - Complete closure of all three centres
19. The outcome of the review and options shortlisted were further discussed with colleagues from Sport England. Following a detailed discussion regarding how Sport England could assist the Council to retain and indeed improve leisure provision within the borough, the conclusion was reached that the preferred model was the replacement of the three existing Leisure Centres with two new facilities, one in the north of the borough and one in the south.
20. The intention is now to carry out a detailed assessment of the need to improve the provision of Leisure facilities within the borough by delivering a high quality but affordable alternative to current provision. The 'baseline' model will be to consider the potential to deliver two 'Sport England' standard 'Option D Affordable Model Leisure Centres' which would include the following base facilities;
- 1no 8 lane 25m pool
  - 1no Secondary learning pool
  - 5no Badminton Courts
  - 100no gym stations
  - 2no Studios
  - Associated dry and wet accessible changing facilities etc
21. **Members should note that the model is being progressed on the basis that if there is to be replacement provision, existing Leisure Centres should be retained until new centres are constructed, so as to ensure continuity of Leisure provision for residents of the borough and to retain membership levels during any transitional period.**
22. While this will inevitably lead to a higher level of subsidy during the construction phase, Sport England projections indicate that because new facilities are capable of generating greater income and thus a significant surplus compared to the current ageing facilities, the service could potentially be cost neutral, thus ensuring a sustainable service is in place, protected from future reductions in Council budgets. It is also intended to model arrangements that ensure that a surplus is generated to facilitate ongoing maintenance, refurbishment and adaptation of centres (as tastes and trends change) in order to ensure that centres remain relevant in an increasingly competitive market.

## Potential Funding Sources

23. Both refurbishment and new-build options will require a significant injection of capital resources. Potential funding sources required to deliver an identified solution include capital receipts secured from the sale of Council assets, Community Infrastructure Levy, Sport England funding and prudential borrowing by the Council. Sport England are of the view that their work with Councils on a national basis has identified that new, modern, fit for purpose facilities are not only cheaper to run and manage but because of greater levels of use, and a much better customer experience, have the potential to generate a surplus which can be used to repay prudential borrowing.
24. Initial assessments have indicated that based on a 15 year repayment period, the current subsidy of circa £1.7m can be reduced to around £150,000 per annum once new-builds are complete and operating, with a surplus of nearly £1m per annum generated once the capital debt has been repaid. This is well within the expected 25-30 year lifespan of new centres and it is possible therefore to accumulate a significant surplus with which to reinvest into the centres in order to ensure that they remain fit for purpose. The business case work will seek to test the assumptions used in order to ensure that the replacement of current centres is viable.
25. In light of the ongoing Black Country and West Birmingham NHS Sustainability and Transformation Plan assessment that there is a potential significant funding gap between need and provision, it is considered unlikely that the NHS will be able to make any significant contribution towards a non statutory service.
26. While very important for those who use Leisure Centres and particularly due to the need to ensure that Dudley Schoolchildren can learn to swim, the Council's Leisure Centres are overall, used by a minority of the population (8.5% attend a gym at least once per week).. Public Health budgets are similarly under serious threat and ensuring that more people are physically active through walking, running, cycling and active travel, outside of formal leisure centre provision, represent better value for money in terms of public health investment.

## Sport England's Initial Assessment

27. Sport England are of the opinion that relatively, Dudley's Leisure Centres are ageing and do not provide the form of facilities that the market now delivers and desires. They note that adjacent Local Authorities have already invested heavily in their Leisure facilities, with Birmingham, Sandwell, Wolverhampton and Walsall all in the process of significant re-development proposals for their Leisure Centres. They are of the opinion that this is important because if Dudley's facilities continue to decline, custom and membership will be lost to more modern facilities available in the private sector or in adjacent Local Authority Districts.
28. The current models of provision reflect the time period in which they were constructed. Halesowen Leisure Centre in particular is not only declining in terms of condition, it is difficult to access for disabled people. Crystal Leisure Centre also reflects the period during which it was built and again, does not reflect the requirements of the current fitness market. It also requires the greatest level of subsidy of all Leisure Centres. For this reason, Sport England would be unlikely to wish to support a refurbishment option and the Option Appraisal confirms that refurbishment is not a viable solution, even if it were to be funded.

## **Next Steps**

29. The next step in the process will seek to test the conclusions reached by the AMEO commissioned options appraisal which considered the replacement of three centres with two new build facilities as being the most effective and optimum solution to achieve the objectives set out in Paragraph 10 (above) by means of undertaking further detailed Facilities Planning Modelling carried out in conjunction with Sport England
30. The Facilities Planning Model (FPM) looks at the major community sports facilities of sports halls, swimming pools and artificial grass pitches. The model has been developed as a means of:
  - Helping local authorities determine an adequate level of sports facility provision to meet their local needs
  - Testing 'what if' scenario's in provision and changes in demand, this includes testing the impact of opening, relocating and closing facilities and the impact population changes would have on the needs of the sports facilities.
31. In its simplest form the model seeks to assess whether the capacity of existing facilities for a particular sport are capable of meeting local demand for that sport taking into account how far people are prepared to travel to a facility. In order to estimate the level of sports facility provision in an area, the model compares the number of facilities (supply), by the demand for that facility (demand) that the local population will produce. The level of participation is estimated using national participation rates and applying them to the number of people who live in the local area.
32. The model can be used to test scenarios, by suggesting what impact a new facility would have, or the closure of a facility, to the overall level of facility provision. It can also take account and model the impact of changes in population, for example, from major housing development.

## **Finance**

33. The estimated cost of the FPM is in the region of £15,000 which can be met from existing service resources.

## **Law**

34. Pursuant to the Localism Act 2011 a Local Authority has the general power of competence to do anything that individuals generally may do.

## **Equality Impact**

35. There are no direct equality Impact implications as a result of this report

## **Recommendations**

36. That Cabinet;

- I. Notes that the process of determining the optimum model of future leisure provision is a complex process which at present is in it's early stages
- II. Approves the commissioning of a Facilities Planning Model in order to establish the preferred future model of provision of affordable and sustainable Leisure Centres within the borough of Dudley.
- III. Requests that a finalised Built Facility Strategy and Options Assessment undertaken in Partnership with Sport England and the Amateur Swimming Association are submitted for further consideration upon completion of the assessments.



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## **List of Background Papers**

Ameo Initial Options Analysis Document 2016

Dudley Sports Facility Strategy 2015 -2019

Appendices

Appendix A x 3 Plans identifies the public and private sector provision of Health and Fitness, Swimming and Sports Hall facilities across the borough.