

Bolsover District Council

5th January 2015

Executive

Leisure Facilities towards a sustainable service – Next steps

Report of the Joint Assistant Director – Leisure

Purpose of the Report

- Reduce the cost and increase income of the Leisure Service against the background of the Government funding reductions to the Councils' budgets.
- To consider the development of sustainable facilities for leisure that meet current and future needs of residents.
- To increase opportunities for participation in sport and active recreation supporting improved health and well being.
- Align Leisure Services provision to the Councils' 'Growth and Transformation' agenda.

1 Report Details - Background

- 1.1 Executive will be aware that the Council needs to make significant savings up to 2018 to meet the savings required to meet funding reductions brought about by the austerity agenda.
- 1.2 In the report presented to Executive in March 2014 (Appendix A), Members may recall that information was presented which detailed the following key points;
 - 1.2.1 A proposal was tabled to enhance the Leisure Centre Facilities at Clowne and cease the current leisure operations at Creswell Leisure Centre.
 - 1.2.2 Leisure Services have been tasked with reducing the subsidy required to operate the service. This is due to the Governments ongoing austerity agenda that has seen substantial cuts to Council funding.
 - 1.2.3 The Leisure Services draft facilities strategy - '*Towards a Sustainable Future*' forms the fundamental component of the services plan to substantially reduce the subsidy required to operate the service. Leisure Facilities asset stock accounts for the greatest level of subsidy within the Leisure portfolio.
 - 1.2.4 The draft strategy developed an understanding of both the current and future supply, demand and the need for facilities within the District.

Key findings in the 'draft' Strategy included:

- The health of residents in Bolsover is worse than the England average. Deprivation is higher than average and 3,300 children live in poverty.
- The district experiences high levels of deprivation.
- 23.6% of Year 6 children are classified as obese, higher than the average for England.
- Bolsover is one of 19 District Council areas where over 70% of adults are overweight.
- Only 20.8% of Bolsover's adults participate in 3 x 30 minutes of physical activity per week.
- 54.7% said they do want to participate more, those same respondents were asked what activity in which they would choose to participate, the largest response was swimming.

In terms of the current Leisure Stock the main findings are:

- Clowne Leisure Centre operates with a small subsidy, whilst Creswell requires a substantial subsidy.
- Clowne Sports Centre has the space and capacity to expand. Creswell is constrained by residential development and a limited spatial footprint.
- Clowne Leisure Centre is a relatively new building constructed in 2005. Creswell is some 90 years old with a partial refurbishment undertaken approximately 23 years ago.
- Creswell Leisure Centre requires substantial capital investment estimated at £0.3m in the short/medium term to enable operations to continue. This figure does not however include any plant or pool water treatment equipment and infrastructure replacement or replenishment works which will require consideration in the next few years also – it is anticipated that such works could increase the capital investment costs by a further £0.05m - £0.2m. Officers are of the opinion that this would not be a good investment and would not sustain operations in the longer term.
- Creswell is effectively at maximum operating capacity. Even at this high level of usage the income generated falls well below the associated operating costs.
- The District has the highest proportion of unmet and exported leisure demand across Derbyshire. It relies significantly on pools provided outside the district to meet around 75% of residents demand.
- Expected population growth between 2013 and 2028 means that demand for Leisure facilities will increase whilst current leisure stock is ageing and not able to meet any growth in demand.

1.2.5 The previous report to Executive (Appendix A) contained a business proposal in the form of an '*enhanced Clowne sports centre*' this would include;

- A 25m x 13m swimming pool
- A smaller teaching pool
- A 100+ station gym
- An informal food and beverage offer
- A children's soft play zone

This forms the minimum baseline or core offer when added to current facilities at Clowne to make the centre profitable.

It is envisaged that such a facility would address many of the issues identified within the strategy and specifically improve the following:

- Significantly reduce the subsidy required to operate the Leisure Service.
- Improve the health profile of the district through increased access to quality leisure provision.
- Increase the activity levels of residents by improving opportunities and capacity to participate.
- Increase the number of health and fitness stations available within the District.
- Improve the supply of 'fit for purpose' swimming pools in terms of quantity, quality and accessibility.

1.2.6 The Financial Case

The option of upgrading Leisure facilities at Clowne has the potential to become a financially sustainable leisure model.

- Creswell is operating at a considerable subsidy and although efforts have been made to improve this situation the level of subsidy remains high Officers are of the view that the capacity of the site and the ageing infrastructure make it unrealistic to anticipate any significant increases in usage or secure further reductions in operational costs.
- Feasibility work indicates that the suggested model '*enhanced Clowne sports centre*' will increase income and secure significant operational cost reductions per square metre of leisure space. On the basis of this work it is expected that a purpose built facility at Clowne once established would secure a financial surplus in excess of £0.1m per annum.
- The combined operating subsidy of the current Creswell and Clowne facilities is currently £0.170m per annum. It must be noted that the financial position has

changed from the previous £0.210m per annum figure detailed in the original paper to Members in March 2014 due to business improvement measures at the Clowne facility which has generated an increase in income, the subsidy position at Creswell remains largely static.

- On the basis of current projections the proposed model would eradicate the current deficit of £0.170m and provide a surplus of £0.130m per annum – see tables in section 5.1. Over a 20 year period this would equate to potential revenue savings of some £6.0m (before cost of borrowing) whilst providing an improved and sustainable service for local residents. Even on the basis that the scheme is fully funded from prudential borrowing the costs of such borrowing are estimated at some £4.9m giving an indicative financial saving in excess of £1m.
- It would deliver a new sustainable asset for the Council.

1.2.7 Options for financing the proposal and the cost of borrowing were detailed in the paper to Executive in March 2014 (Appendix A). These included various funding arrangements that Executive could consider. It also detailed a range of scenarios which gave an indication how the project could be financed and what it would return from a financial perspective. All of the options were based on the principle of **Invest to Save**.

As part of the process of considering the financing options available Officers have met with Sport England with a view to exploring the possibility of grant funding. This work is ongoing. However, it should be noted that any grants that may be secured will not replace funding to which the Council already has access. Any grant funding will only be available to 'add value' to an existing scheme.

For example, if the Council's business model was viable with a four lane pool and the Council financed this to be developed, Sport England may consider 'adding value' to that scheme by funding an additional two lanes to the pool.

Given the current position around grants and to ensure viability Officers have established a minimum facility mix and design (outlined in 1.2.5). This provides a minimum specification to ensure that, should external grant funding not be realised, that the business model remains robust to deliver against the business case i.e. reduced costs of operation, reduce the net subsidy and increase participation. Officers will continue to work with Sport England to identify areas that will deliver 'added value' thus securing the opportunity to bid for funding via this route. Any success in this will further enhance the income and social benefits that can be expected from an investment in an enhanced leisure facility at Clowne.

1.2.8 Members may recall that the report to Executive on 14th July (Appendix B) recommended a period of consultation with directly affected communities, Creswell and Clowne, along with the wider community across the district to seek the public's views on the proposal to extend the leisure facilities at Clowne and cease the current operation at Creswell Leisure Centre.

1.2.9 Executive approved a 'district wide' postal consultation delivered to every household within the district and key stakeholders, making this the most comprehensive consultation of its kind ever undertaken by the Council. As agreed

this work has been commissioned and conducted by an independent external organisation with the appropriate expertise in this specialist arena.

1.2.10 The following summarises the findings of the consultation;

- A response rate of 10.8% or 3795 households/stakeholders was achieved. Statistically this provides a very reliable guide to the opinions of residents and stakeholders.
- The consultation generated responses from every parish in the District.
- **67.5%** either **strongly agree** or **agree** with the Council's strategy to develop sustainable facilities for sport, leisure and active recreation.
- **78.6%** either **strongly agree** or **agree** with the Council's aim to increase opportunities for participation in sport and active recreation.
- **72.8%** said they had no concerns about the Council's proposal to cease the current operation at Creswell Leisure Centre.
- **62.6%** were either happy with the proposal or not happy but accept the proposal as necessary when asked their viewpoint about the proposal to expand the leisure facility at Clowne and for Bolsover District Council to cease operating the facility at Creswell.
- Broadly speaking the less supportive comments on the proposals came from Creswell, Bolsover and Shirebrook – whilst the most supportive comments came from Clowne.
- **70.3%** of those consulted said they had access to transport suitable for visiting Council leisure facilities.
- Results of the consultation also indicate that the proposal would lead to increased use of the proposed leisure facilities at Clowne.
- Amongst the themes arising from the consultation there were some comments indicating a degree of concern particularly from some parish council's about the consultation process.
- Other themes arising from the analysis include requests to:
 - Improve transport links to a new facility
 - Improve parking at a new facility
 - Ensure a new facility would be 'fit for purpose'
 - Ensure the Creswell facility would remain operational until a new facility was completed
 - Ensure that existing memberships would be transferable

The full consultation report can be found at Appendix C.

1.2.11 In addition to the consultation, four Parish Council's responded directly to the Council regarding the proposals (see Appendix D), these have been included in this report for consideration along with the wider consultation feedback. The contents of these letters are summarised below:

Elmton with Creswell Parish Council

- The Parish Council cannot understand how the true feelings of the residents of Creswell on the matter can be gathered from the questionnaire.
- The Parish Council feel that the consultation document as presented does not enable the strength of feeling to be conveyed.
- The Parish Council feel the document is lengthy which will deter many people from responding.
- In the Parish Councils view, many of the questions appear irrelevant to the central issue focussing instead on age, gender, ethnicity etc.
- The Parish Council reaffirm opposition to any suggested closure of the baths.
- The Parish Council object to the consultation document which they believe to be flawed and incapable of being able to reflect the views of their local population.

Old Bolsover Town Council

- Old Bolsover Town Council support Elmton with Creswell Parish Council in opposing the closure of the current facilities at Creswell.
- Old Bolsover Town Council find it concerning that BDC is proposing the closure of a well used facility which operates at 95% capacity as stated by BDC.
- Old Bolsover Town Council find that in a time when there is concern about the lack of facilities in the area, to make facilities less accessible to a large proportion of communities within the district would appear counterproductive.
- Old Bolsover Town Council Members felt the consultation document was flawed and designed in such a way to provide an outcome BDC have determined before hand and there was an absence of a detailed business plan.
- Old Bolsover Town Council feel that the main objectives should be to provide facilities all over, not concentrate on one area by removing facilities from one community and giving everything to another who already have facilities.

Shirebrook Town Council

- Councillors referred to a feasibility study in 1993 for a swimming pool in Shirebrook which had been previously deemed as unviable.
- Councillors were confused as to how these proposals for Clowne would be considered any more viable.
- Shirebrook Town Council concluded that swimming facilities were something that had been campaigned for on numerous occasions in Shirebrook in the past and if they are now a viable option then Shirebrook Town Council would be delighted to offer making land available in the same manner as is being made available in Clowne.

Clowne Parish Council

- The Parish Council believe the current facilities available are outdated and insufficient for an area which is set to have a population growth over the next 20 years.
- The area requires a larger, more convenient and practical facility.
- The Parish Council will continue to support any improvements which will be accessible to our parishioners and other communities within the wider Bolsover District.

The main issues raised by the parishes are dealt with in other options considered and rejected (outlined in section 4). It should be noted that the Council has a duty to collate equalities data as part of any consultation under the equalities act and the councils consultation policy. With regard to the concern raised by two Parish Councils relating to the consultation process and the layout/design of the questionnaire, it should be noted that Officers have followed the Council's relevant policy and procedures throughout and commissioned a specialist organisation to carry out the consultation. While opinions will inevitably vary as to the form a consultation exercise should take the consultation remains the most robust and comprehensive that the Council have undertaken involving every household and key stakeholders.

1.2.12 The following responses from key stakeholders have been received (Appendix E shows a full list of stakeholders consulted):

- Derbyshire County Council School Swimming – are in favour of the proposed new larger more modern facilities at Clowne, stating that *'The current situation at Creswell pool is that we have a lack of shallow water space and very small changing facilities. Both of these issues do cause us problems with school swimming'*.
- Amateur Swimming Association (ASA) – Dennis Freeman-Wright (Assistant National Facilities Officer) responded; *'I met Lee Hickin and he went through the whole of the Leisure Facility Strategy with me and in particular the plans for the new swimming pool in Clowne and the closure of the old pool in Creswell Leisure Centre. The Amateur Swimming Association are supportive of this strategy'*.
- Amateur Swimming Association (ASA) – England Programmes Officer stated *'In relation to our discussion of bringing some of our England National Swimming Camps to Clowne if a pool is built, I would be happy to support this when we look at our future planning in relation to potential locations. The location of the centre close to motorway connections, and the proposed facilities on site would make it an attractive proposition'*.
- Bolsover LSP - In respect of the presentation to Executive Board in June 2014 Bolsover LSP write to confirm *'the Partnership's support for the proposal and*

would welcome the opportunity to receive progress reports on the development of the initiative as things move forward’.

1.2.13 In partnership with Sport England the council commissioned a local assessment utilising the Sport England Facilities Planning Model (FPM) to assess the impact of the potential change to the supply of swimming pools. This specifically looked at the impact of the closure of the existing Creswell Leisure Centre and the opening of a replacement pools at the Clowne location. This is in addition to the original Sport England FPM findings from the draft strategy ‘*Towards a Sustainable Future*’.

Some of the conclusions of this specific work indicate that:

- The provision of a new pool facility at Clowne would generate an additional 1,883 visits per week at peak periods (vpwpp)
- The annual throughput of customers would increase by 108,858
- The level of demand retained within Bolsover increases by 883 vpwpp
- The amount of demand exported outside the district decreases by 901 vpwpp
- The development of the new pool would have a positive impact of the relative share of pool space
- Even with the positive impact of a new pool at Clowne, Bolsover District Council should still consider providing at least one additional ‘Fit for purpose’ pool in the district

1.2.14 Officers have explored with the Council’s procurement advisors the most efficient, cost effective and appropriate method of procurement to deliver the proposed facility should Members choose to pursue the proposal.

1.2.15 At this point in time two main options have been identified as providing an appropriate way forward, these are outlined below. Whilst the Council has identified preferred options it is aware of other mechanisms for procuring such works and if necessary will explore those options.

- Suffolk Coastal District Council is in the process of undertaking a full OJEU procurement exercise in respect of its future leisure development programme which covers the development of various leisure facilities across the Suffolk Coastal District Council area. This procurement concludes in January 2015. Along with a number of other local authorities, Bolsover District Council has requested to be a named authority as part of this procurement process. As a named authority the Council is in a position where it can contract directly with the organisation awarded the Suffolk Coastal contract. This approach avoids a duplicate procurement process and the additional costs of procuring independently. It also secures improved terms and economies of scale by being part of a wider procurement partnership.
- The Council will also explore the option of working with SCAPE which is a framework arrangement to procure building and related work. Our Strategic

Alliance partner North East Derbyshire is currently using the SCAPE framework and initial indications show that the process is working well.

While the above are the preferred options at this stage Officers will consider other approaches to ensure that the Council secures best value.

On the basis of the work to date Officers are of the view that we will be in a position to determine the most appropriate procurement route by the end of January 2015. At this stage it would seem appropriate that the Chief Executive in consultation with the Leader be granted delegated powers to agree and progress the most appropriate procurement solution.

2 Conclusions and Reasons for Recommendation

- 2.1 The health of people in the district is worse than the England average where over 70% of adults are overweight and over 20% of year 6 children are classed as obese. This is compounded by a very participation rates in physical activity and a higher percentage of 'inactive' demographic groups than county, regional and national levels. However, in excess of half of this sedentary population have expressed that they do want to participate more.
- 2.2 Considering the District Council Leisure centres, the following is established:
 - 2.2.1 The Clowne facility operates with a small subsidy, whilst Creswell requires a substantially greater subsidy.
 - 2.2.2 Clowne Sports Centre has the space and capacity to expand, whilst Creswell leisure centre is constrained by residential development and a constrained spatial footprint.
 - 2.2.3 The Arc, Clowne is a relatively new construction built in 2005, whilst Creswell Leisure Centre is approximately 90 years old.
 - 2.2.4 Creswell Leisure Centre requires a substantial capital investment in the next few years to enable it to continue to operate. The facility is almost at the maximum operating capacity at 95% utilisation. Even at this level of utilisation the centre falls considerably short of the generating sufficient income to cover the costs of operating the centre.
- 2.3 Bolsover District has a poor supply of swimming pools in terms of quantity, quality and distribution. It relies significantly on pools provided outside the District to meet around 75% of its residents demand and its own pool at Creswell is overstretched.
- 2.4 In the original report to Executive (Appendix A), a business proposal or option for the future' in the form of an '*enhanced Clowne sports centre*' was presented. It is envisaged that such a facility would address many of the issues identified within the strategy and specifically improve access to quality facilities, improve activity levels by increasing opportunities to take part and generally improve the health profile of the District.
- 2.5 The option to expand at Clowne has the potential to become a financially sustainable leisure facility model for the Council. By incorporating the appropriate facility and product

mix and combining the current provision the facility at Clowne could offer a self sustaining service for the Council. The proposal aligns with the '**Growth and Transformation**' agenda. It transforms service provision, reduces the comparable costs of operation and generates more income whilst ensuring the long term sustainability of the Leisure Service.

- 2.6 Options for financing the proposals and the cost of borrowing (Appendix A), have been explored. All of the options are based on the principle of **Invest to Save**, that is to say the financial gains outweigh the cost of the investment.
- 2.7 An extensive process and period of consultation has taken place which asked the public and key stakeholders to consider the proposal. The most comprehensive consultation of its kind that has been undertaken by the District Council (Appendix C). The findings of the consultation demonstrate a **strong majority in favour of the proposal**.
- 2.8 Sport England's FPM has assessed the impact of changes to the supply of swimming pools, relating specifically to the closure of the existing Creswell Leisure Centre pool and the opening of a replacement pools at the Clowne location. The assessment finds in favour of the proposal with the Sport England model suggesting it would increase throughput by over 108,000 visits per year.

3 Consultation and Equality Impact

- 3.1 Consultation – see previous section and Appendix B.
- 3.2 This proposal will impact on a number of target user groups resulting in increased participation and physical activity levels. See EIA attached at Appendix F.

4 Alternative Options and Reasons for Rejection

4.1 Continue with the current facilities and facility mix at Clowne and Creswell

There is a current net revenue subsidy of providing the existing facilities of some £0.170m per annum. The projected cost of this subsidy over 20 years amount to in excess of £3m excluding inflation. Due to the age and condition of Creswell Leisure Centre and the inevitable capital investment required (£0.3m (possibly up to £0.5m) estimated) to maintain the facility in the short/medium term it is recommended that this option is rejected as unsustainable, considering that options are available which reduce costs whilst improving outcomes.

4.2 Locate elsewhere in the District

The overarching purpose of the proposal contained within this report is to ensure the strategic development of sustainable facilities for sport and leisure that meets the current and future needs of the communities within the District. The provision of which will increase opportunities for participation in sport and active recreation supporting improved health and well being.

Considering the financial challenges that the Council is having to address, emphasis is placed on the 'sustainability' aspect of this ambition. The key drivers are;

- To create services that are financially sustainable requiring a minimal net subsidy
- To protect the services that we currently offer our communities
- To improve the quality and quantity of leisure provision for our communities

The proposal contained within this report centres around the ability to achieve financial savings to the Council.

It is acknowledged that there are a number of possible options for locating a pool facility depending on your perspective and budget. However, not all offer the same opportunity as the Arc at Clowne. When considering the Arc at Clowne there is a need to consider:

- There is an abundance of unutilised land and potential to expand at no additional cost to the Council in terms of procuring land on which to build.
- The Council has an existing modern 'dry' Leisure facility on site which means that much of the required facility elements are already in place including staffing resource, services and buildings. On the basis that a 'pool' is added to the existing facilities the available evidence would suggest that the 'dry' and 'wet' facilities will be complementary and will secure significant increases in usage and Membership. Combining the facilities will also secure significant efficiencies on staffing costs, with further savings secured because the facility would be part of a wider administrative building.

The proposal to cease the current operation at Creswell and create an enhanced facility at Clowne considerably improves the financial position of the Clowne site which at present requires a subsidy. The proposed baseline facility mix provides a model that eliminates the current subsidy at both Leisure Centres and improves the Councils' financial position.

To build a facility elsewhere in the district for the same budget (£3.5m) would mean:

- Building a 'stand alone' pool –highly unlikely to operate with a surplus due to the limited facility mix and low diversity of potential income streams, it would require a significant subsidy to operate.
- Attaching a pool to an existing facility (not owned by the Council) – these options are limited. However, one example might be Shirebrook Leisure Centre. The facility belongs to Shirebrook Town Council therefore this proposal would leave the District Council having to carry a subsidy at its own current leisure facilities. The limited facility mix and low diversity of potential income streams associated with what would be the Council's element of such a centre would require a significant subsidy to operate.

Or significantly increase the budget:

- Acquire land and build a new facility elsewhere in the district – Given the need to acquire land and construct a larger facility including replicating the current Clowne facilities this is anticipated to cost a minimum of £7m in construction costs alone

(even if the required land could be secured at nil cost). It is the view of Officers that this is not a viable option at the present time.

Taking these factors into account it is recommended that the option of an alternative location is rejected.

- 4.3 Cease operations at Creswell and don't build at Clowne – This option would not meet the needs for active recreation within the District and still leave the Council with a subsidy requirement at Clowne, for these reasons it is recommended that this option is rejected.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 The report considered by Members in March 2014 contained financial exemplifications which supported the view that an enhanced sports facility located at Clowne would secure significant financial savings for the Council. The work that has been undertaken since that report has confirmed that the figures provided at that stage are reasonable and that the indicative financial savings identified within that report are in principle achievable. The main issue which needs to be taken into account concerns the availability of Sport England grant where officer discussions have concluded that such grant is unlikely to be available for a core scheme costing in the region of £3.5m. Given that grant is unlikely to be available the funding scenarios for financing the scheme are in effect reduced to two sources:

- The scheme is fully funded from Prudential Borrowing to an indicative value of £3.5m.
- The cost of the scheme is partially met by the utilisation of Council balances and reserves. The main reserve which would be available is the Transformation Reserve which currently amounts to some £3.158m as at April 2014. Officers are of the view that this could be increased to a figure of £3.5m by March 2015 on the basis that the Council is able to secure an underspend against its agreed budget in the current financial year. If that increase in the level of the Transformation Reserve could be secured then the scheme could be fully funded from balances.

- 5.1.2 Given the previous report to Members (Appendix A) and the 'outline' business case, it has been demonstrated the proposal would generate a significant saving on the Leisure budget. These savings arise from the fact that that development of a combined facility at Clowne would enable the elimination of the existing deficit on the leisure facility at Clowne, whilst enabling the District Council to cease the current operation at the Creswell Leisure facility. The Council would, however, intend to work with partners to explore the options for the continued operation of the building for providing leisure or other facilities to the local community. It would not, however, be intended to provide an ongoing revenue subsidy from the District Council to support the operation of such a facility. On the basis that it is not possible to secure an alternative use for the building at Creswell, Executive should note that while the nature of the facilities on offer to local residents will change that the financial savings identified would be accompanied by an improvement in the level of services to local residents and by a Leisure Service which is better able to meet the Council's objectives of promoting Health and Well being across the District.

5.1.3 One of the risks that needs to be considered as part of this project is the possible escalation of the construction costs of the facility. While the indicative figure of £3.5m for construction costs includes an allowance for contingencies it is useful to model the impact of an increase in costs to one of £4m. On the basis that costs increased to £4m the position would be as follows:

	Option 1 Fully funded from Prudential Borrowing £000's	Option 2 Funded £2m Borrowing, £2m Reserves. £000's	Option 3 Fully funded from Reserves with £0.5m Borrowing £000's
Indicative Running Costs (exc Capital Financing)	745	745	745
Income	(875)	(875)	(875)
Surplus before Capital Financing Costs	(130)	(130)	(130)
Capital Financing Costs	280	140	35
Surplus / Deficit on Clowne Facility	150	10	(95)
Savings achieved from Ceasing of current operation at Creswell / Removal of Clowne Subsidy	(170)	(170)	(170)
Savings on Budget	(20)	(160)	(265)

The above table indicates that the financial sustainability of the project would not be undermined by an increase in the cost of the facility which necessitated an increase in prudential borrowing. While Officers will continue to work to the principle of delivering a scheme at a cost of £3.5m it is considered appropriate that approval is provided with an overall cost ceiling of £4m in order to provide an appropriate level of financial contingency for the scheme.

5.1.4 The first of the options which is outlined above consists of the use of Prudential Borrowing. The use of Prudential Borrowing requires that the Council is able to demonstrate that the borrowing concerned is affordable, sustainable and prudent. On the basis of the details arising from the indicative business case at a cost of £3.5m (fully funded by prudential borrowing) there would be a saving of £0.065m on the revenue account. This would suggest that the prudential test would be met, although the scheme viability would be vulnerable to both cost increases and income reductions, but on the basis that the more detailed work that remains to be undertaken supports the current business case then the proposal would appear to justify the use of Prudential Borrowing. Executive will recall that a decision to utilise prudential borrowing will require the approval of Council as part of the Treasury Management Strategy. While a case for full utilisation of prudential borrowing can be made it should be noted that the greater the level of Prudential Borrowing undertaken the greater the level of risk. Reducing the level of borrowing does 'de risk' both the achievement of the projects financial outcomes and the prudential

borrowing itself. In considering any decision concerning prudential borrowing Council would also need to take into account that the Council currently has unallocated financial reserves in respect of the General Fund in excess of £3m. Those reserves currently earn interest of some 0.5% whereas the cost of borrowing amounts to some 7% including principal repayment. It would not appear to represent good value for money to undertake prudential borrowing when the Council has unallocated financial reserves available.

- 5.1.5 The second option is that the Council utilise some £2m of reserves to part fund the capital costs of the scheme. Given that the Council avoids both the interest charges and principal repayment associated with prudential borrowing there would be a saving of some £0.140m, or £70k per £1m of borrowing avoided. This represents a return of some 7% per annum. In considering the options Executive will recall that the Transformation Reserve from which this funding will be drawn was established as an Invest to Save Reserve. By utilising the Reserve to fund the development of our Leisure Options Members would be operating in accordance with that Invest to Save requirement. Executive will also be aware that given the continued pressure on the public finances that utilising available reserves for Invest to Save projects is crucial if the Council is to protect its financial sustainability and the level of services to local residents. On the basis of the work done to date and the necessity of meeting the requirements of the Prudential Code the Chief Financial Officer is of the view that this would represent the most appropriate way forward.
- 5.1.6 The final option is that the Council funds the Leisure Options development in full from financial balances. Whilst financially this potentially generates the greatest level of savings it would in effect fully utilise the Council's un-earmarked General Fund reserves. As such the Council would not be in a position to fund other Invest to Save Schemes, nor would it be in a position to fund its growth / economic development ambitions above the funding level already incorporated within the revenue budget. Accordingly Members need to give careful consideration as to whether they would wish to see the available unallocated balances fully committed to this scheme.
- 5.1.7 The issue of financial risk has been covered in the sections which deal with the options for funding the scheme outlined above. A key risk is, however, the ability of the project to deliver the financial benefits indicated by the indicative Business Plan. The figures used in this report are provided in Appendix G which includes further details outlining the basis on which key assumptions have been made. At this stage Officers do not see any reason to change the figures which were provided to Executive in March. While Officers are satisfied that the existing Business Plan is robust and can be relied upon, at this stage it is important that further work is undertaken to validate the figures that have been used. In particular the initial procurement process will provide a better understanding of the type of building that will be constructed giving a better indication of running and maintenance costs. As the project progresses Officers will work to ensure that the Business Plan is adjusted to reflect more robust information as this detail becomes available.
- 5.1.8 In considering this scheme Executive should note that there are some significant elements of both financial and operational risk in both the construction and operational phases of the project. The scheme would be vulnerable to cost escalation during construction phase and to cost increases or income reductions once operational. While the final decision will be made on the basis of a robust

business plan it does need to be recognised that invariably there will be variation between a business plan and the outturn position. Whilst Members need to be aware of this risk in making any decision this risk needs to be balanced against the fact that in a climate of financial austerity the current facilities which are characterised by high cost and limited income are in all probability not financially sustainable. Furthermore, Members should note that while Leisure Facilities make a key contribution to the Council's corporate objectives of promoting the health and well being of local residents they are not a statutory service. These considerations indicate that the current leisure provision is unlikely to provide a sustainable option for the future of the service.

- 5.1.9 The proposals set out within this report will have a significant financial impact upon the Council. Given this fact it is appropriate that if Members are minded to progress with work on this project then it needs to be reflected in both the Capital Programme and the Council's Treasury Management Strategy. These will be considered by Council at its Budget meeting on 4th February 2015.
- 5.1.10 It should be noted that at this stage we have not brought into consideration the cost of maintaining Creswell Leisure Centre over the next 20 years. If the Council decided to operate the facility for a further 20 year period this would inevitably incur additional capital costs on the refurbishment of the building, the plant and pool machinery. While if these costs were factored in the Business Plan would show a more positive return from investment.
- 5.1.11 On the basis that Executive approve the recommendation to continue the more detailed work on the scheme it will be necessary to agree a financial budget to support further work on procurement issues, secure specialist advice and begin the process of seeking outline planning permission. Accordingly it is proposed that an amount of £50,000 be allocated from the Efficiency Grant to support this work in respect of the remainder of the current financial year.

5.2 Legal Implications including Data Protection

- 5.2.1 The Council currently hold the Creswell Leisure Centre as trustees pursuant to a charitable scheme dated 23rd July 1954. The scheme requires the Council to "hold the said property upon trust for use as public swimming baths for the benefit of the inhabitants of the Rural District Council of Clowne and the neighbourhood". In order to use the property for another purpose the Council would need to apply to the Charity Commission to amend the scheme. In doing so the Council would need to identify a suitable alternative charitable purpose for the building.
- 5.2.2 Rather than using the building for alternative purposes the Council could look at selling the premises. This would require the consent of the Charity Commission and the Coal Industry Social Welfare Organisation (CISWO). If the property was sold then the proceeds must be held on trust and used "in connection with the social wellbeing, recreation and condition of living workers in and about coal mines as the Charity Commission may approve". Members may recall that the old Bolsover Baths were subject to a similar scheme. After the baths were sold attempts were made to identify a suitable scheme however eventually it was agreed that CISWO were best placed to use the funds for the beneficiaries of the scheme. If an alternative District Council administered scheme can not be identified and agreed with the Charity

Commission and CISWO, it is likely that the proceeds of any sale will be transferred to CISWO.

- 5.2.3 Consideration therefore needs to be given as to what the Council proposes to do with the baths if the long term intention is to close them. Although a firm decision is not required at this stage it would be advisable to contact the Charity Commission and CISWO to seek their views on the Council's proposals to stop using the property for its existing purpose.

5.3 Human Resources Implications

- 5.3.1 It is anticipated that the existing staff from Creswell would transfer to the new facility upon completion should Executive choose to progress with the project.
- 5.3.2 Depending on the final design and content of any facility proposal, there may be additional job creation given the expected increase in business that an enhanced facility at Clowne would generate. These demands have been factored into the outline business plan.

6 Recommendations

- 6.1 That Executive recommend to Council that the project to enhance Leisure facilities at Clowne be incorporated within the Capital Programme in respect of 2015/16 and future years as part of the MTFP to be considered by Council at its meeting on the 4th February 2015.
- 6.2 That this approval be for expenditure up to the amount of £3.5m with a contingency for a further £0.5m of expenditure, funded by £2m from the Transformation Reserve and up to £2m from Prudential Borrowing.
- 6.3 That delegated powers be granted to the Chief Executive in consultation with the Leader and Deputy Leader of the Council in order to approve the most appropriate procurement route for securing the new facility.
- 6.4 That Officers commence work to explore the options for securing planning permission for the construction of an enhanced Leisure facility on the Clowne site.
- 6.5 That an allocation of £50,000 from the Efficiency grant in respect of 2015/16 be agreed to pursue work in respect of Planning and Procurement for the new enhanced facilities. Such expenditure not to be incurred prior to the meeting of Council on the 4th February 2015.
- 6.6 That Officers work with partners including CISWO, the Charities Commission, the Parish Council and community groups to identify options for the future use of Creswell Leisure centre.
- 6.7 That further reports be brought back to Executive detailing progress in delivering the scheme.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	

8 Document Information

Appendix No	Title
N/A	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
Report Authors	Contact Number
Lee Hickin/Paul Hackett/Bryan Mason	01246 217054

Report Reference –