



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Joint Scrutiny Meeting

26 November 2021

Councillor Barry Dobson

Portfolio Holder for Leisure



Deepings Leisure Centre Options

Due to significant health and safety concerns, Deepings Leisure Centre, has been temporarily closed since July 2021. At an extraordinary meeting of Council on 2 September 2021, it was agreed that options to provide leisure in the Deepings area would be assessed at a joint meeting of Culture and Visitor Economy and Finance, Economic Development and Corporate Services Overview and Scrutiny Committees. It was agreed these two Committees would jointly make a recommendation on the preferred option to Cabinet, prior to consideration by Council.

Report Author

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Corporate Priority:	Decision type:	Wards:
Healthy and Strong Communities	Key	Deeping St James

Reviewed by:	Nicola McCoy-Brown, Director of Growth and Culture	23 November 2021
Approved by:	Karen Bradford, Chief Executive	24 November 2021
Signed off by:	Councillor Barry Dobson, Portfolio Holder for Leisure	25 November 2021

Recommendations to the decision makers

1. Notes the feasibility work undertaken to establish options for leisure provision in the Deepings.
2. Recommends to Cabinet a preferred option for leisure facilities to meet the local needs in the Deepings area.

1 The Background to the Report

- 1.1 The South Kesteven District Council Corporate Plan (2020-2023) recognises the role facilities can play to inspire residents to take part in sport and physical activity. Of equal importance is the Council's commitment to providing (directly and in partnership with others) leisure facilities to enable all the South Kesteven community to lead healthy lives by participating in a wide range of activities. There are four leisure centres in the Council's portfolio. The subject of this report is the Deepings Leisure Centre which was temporarily closed in July 2021 on health and safety grounds.
- 1.2 The existing Deepings Leisure Centre was built and opened in 1974. Since that time, it has been managed by South Kesteven District Council (the Council), although the land and building are owned by Lincolnshire County Council (LCC).
- 1.3 There have never been any formal leasehold arrangements in place between the two organisations and therefore the respective responsibilities of each organisation have not been documented. The facility is shared with Deepings School (part of the Anthem Trust) who have previously had the use of the sports hall, playing fields and swimming pool during the day term-time. This was in return for an annual fee, which in 2021/22 was £35,600.
- 1.4 Historically the fee received from the school was complemented by a maintenance contribution from LCC in the region of £124,000. This was withdrawn in 2014 when LCC notified the Council that the land and leisure centre building were to be transferred to the Anthem Trust as part of the academy transfer process. Following the successful completion of the transfer, the Council were advised that it would be necessary to secure a leasehold interest directly with the Trust.
- 1.5 To date, the transfer between LCC and Anthem Trust has never been completed, although this is currently being progressed. Since 2014 there have been numerous attempts to agree the proposed terms of a lease between the Trust and the Council which could be put in place once the main land and asset transfer had been completed. Unfortunately, agreement on terms was never reached.
- 1.6 Since 2014, the Council have been solely responsible for the maintenance and repair of the leisure centre. Prior to the closure of Deepings Leisure Centre, for the financial year 2021/22, the facility was projected to make a small surplus, however this did not take into account the Council's wider costs in relation to the centre. Details of the projected financial position have been included in Appendix One – Exempt Information.

Previous Feasibility Work Undertaken:

- 1.7 The potential refurbishment of Deepings Leisure Centre has been previously considered by the Council in 2013. At that time, Paul Weston and Caston Cost Consultants were engaged to identify schemes of refurbishment should a lease of the building be secured. Two options were identified as below:

Full refurbishment of existing building	£6.46 million
Light touch refurbishment	£2.94 million

- 1.8 As part of the options appraisal in 2013, it was anticipated that, without investment, the existing leisure centre would close in 2016. It was not possible to take forward either of the

two schemes of refurbishment due to the transfer between LCC and the Anthem Trust having not been completed.

1.9 In October 2018 Mace Ltd were commissioned on behalf of the Council by InvestSK, to undertake an initial assessment of all four of the leisure centres and identify opportunities for improvement.

1.10 Upon receipt of the initial Mace report, Cabinet were presented with a report on 7 March 2019 titled Enhancing Leisure Opportunities for Everyone. This report included the results of the early feasibility work undertaken by Mace Ltd and a range of options for the development and refurbishment of the Council's four leisure centres. A further budget was secured and in April 2019 Mace Ltd were reappointed to undertake a full feasibility study and develop an investment plan.

Mace Feasibility Study:

1.11 The feasibility work undertaken by Mace Ltd included the development of options for the improvement of the leisure facilities and associated costings. The aspiration was for three new leisure centres in Grantham, Stamford and Deepings, and for a refurbishment of Bourne Leisure Centre. The options for Grantham were later refined to include a refurbishment of the existing Grantham Meres Leisure Centre, rather than relocating this to a town centre location which had previously been considered. The total cost of this feasibility work undertaken by Mace Ltd was £284,000.

1.12 The Council received the finalised feasibility report from Mace Ltd in February 2020, the report contained costed options for redevelopment and refurbishment including:

- A range of options for Bourne and Stamford, ranging from re-modelling to a new build
- Two options for a new leisure centre in Deepings
- Re-modelling and refurbishment of Grantham Meres

1.13 The report by Mace Ltd also included contract procurement options, and business cases which demonstrated the impact of the proposed improvement works on the financial performance of the leisure centres. The report concluded:

- a. That if the Council were to rely on prudential borrowing alone to fund the developments, then none of the schemes under consideration were affordable.
- b. A minimum total capital investment of circa £55.5 million would be required to fund the lowest cost option at each location.

1.14 In consideration of this, and as part of the report conclusions, Mace Ltd recommended to the Council that it should look to rationalise its leisure portfolio, retaining only two leisure centres, one in the North and one in the South of the district.

Project Governance:

1.15 In May 2020, to ensure there was a robust structure around the work and decisions made, a leisure project team was developed with representation from key Council service areas. At the time this included the Chief Executive, Strategic Director for Growth, Section 151 Officer, Director of Law and Governance and Head of Leisure.

1.16 A Leisure Improvement Board was also developed to include key Members of the Cabinet. This includes the Leader, Cabinet Member for Leisure, Cabinet Member for Finance and Resources and Cabinet Member for Culture and Visitor Economy. Then as now, it remains

the responsibility of this Board to assess the progress of the leisure improvement programme and make recommendations to Scrutiny Committees and Cabinet.

Full Member Briefing:

- 1.17 On 20 October 2020, a briefing was given to all Members to provide an update on the leisure improvement plans and the feasibility work which had been undertaken across all four of the Council's leisure facilities. Information was provided on the scale of the work involved and the challenges the Council faced in terms of affordability.
- 1.18 On the advice of the Leisure Improvement Board, Members were advised that the improvement schemes would need to be prioritised, and that Deepings had been identified as the key priority due to its age and condition.

Paul Weston Architect:

- 1.19 In May 2020 the Council commissioned Paul Weston Architect to provide a check and challenge to the original feasibility work undertaken by Mace Ltd, and to explore alternative options which could prove more affordable.
- 1.20 As the work developed, the Council were also supported by Sports and Leisure Consultancy Ltd (SLC) who provided an assessment of the local and latent demand for a new facility for the Deepings, and to assist with the development of business plans which would be required to support any investment.
- 1.21 Working with Members of the Leisure Improvement Board, Paul Weston and SLC undertook work to investigate a range of options for the replacement of Deepings Leisure Centre. The preferred location of the development had previously been identified in September 2019 as the Linchfield Road playing field site in Deeping St James. Therefore, this site was used as the basis for most of the feasibility work.
- 1.22 To assess the need for the proposed facility and the level of facilities to be provided, evidence was collated from latent demand reports. In addition, the Council undertook some work with Sport England using their Facility Planning Model. This model looks at the demographic make-up of an area, any projected population growth, and the impact of other competing facilities before determining an appropriate accommodation mix for a new facility, ensuring that what is proposed would meet current and future need. Taking this into account, Paul Weston prepared two original schemes and a site masterplan which included the following facilities:
- A 25 metre six lane community pool (the second option included and 25 metre 8 lane pool with a moveable floor)
 - A 13 x 7 metre teaching pool
 - An 80-station fitness gym
 - Two multi-purpose studios to accommodate fitness classes
 - A four-court sports hall
 - Ancillary changing, storage and administrative accommodation
 - A full size 3G artificial pitch
 - External changing accommodation for teams and officials
 - Retention of grass pitches

- 1.23 Caston Cost Consultants provided capital costings for the two schemes. At the time the total development costs were assessed and have been included in Appendix One – Exempt Information.
- 1.24 To take on board the ambition of Members, a further scheme was considered to include an 8-lane 25 metre pool, with the addition of spectator seating, the capacity to hold events in the sports hall, and to include a steam and sauna area. The total development costs of the revised scheme were assessed and have been included in Appendix One – Exempt Information.

Financial Modelling and Business Plan:

- 1.25 To assess the viability of the schemes under consideration, financial modelling was undertaken to identify how the development of a new leisure centre for the Deepings could be financed. SLC were also commissioned to develop an operational business case for the facility to understand how this would affect the Council's General Fund revenue position.
- 1.26 The key findings of this work were:
- The latent demand information, combined with the findings of the Sport England Facility Planning Model report, supported that there was a demand for a swimming pool facility to replace the existing facility at the Deepings. However, a reduced amount of water space would be sufficient to meet this demand which could be catered for by providing a 25-metre pool with a moveable floor.
 - There was an oversupply of fitness stations in the Deepings area meaning the new facility would need to compete to gain market share. However pre-Covid there were approximately 1,000 members at Deepings Leisure Centre, demonstrating a considerable membership base was achievable.
- 1.27 A 10-year business plan was developed for a new 8-lane, 25-metre leisure centre to include the additional facilities detailed in paragraph 1.24. The business plan assumed that the leisure centre would be managed by LeisureSK Ltd, that normal trading conditions had returned post COVID-19 and was developed through a mix of industry benchmarks and calculations on current income levels. Information is provided in Exempt Background Paper 3 – SLC Report Replacement for Deepings Leisure Centre Business Plan.
- 1.28 Originally, when identifying funding options, several scenarios were investigated, including utilising 100% borrowing to fund the development, or a mix of borrowing, Local Priority Reserves, and capital receipts. However, it should be noted, due to the subsequent impact of COVID-19, and the depletion of the Council's Local Priority Reserves, the only current viable option is for the Council to borrow the full amount required.
- 1.29 In addition to this, prior to COVID-19 it was the Council's ambition to procure a new leisure contract arrangement which would deliver a significant income stream to the authority. The ongoing implications of COVID-19 have resulted in market failure and leisure operators are no longer able to offer these types of contract arrangements.
- 1.30 The work demonstrated that the surplus provided by the proposed centre alone could not cover the borrowing costs, and that the proposed development would result in a significant General Fund revenue pressure for the Council.
- 1.31 Within the conclusion of their report, SLC highlighted that the proposed centre was larger than required in terms of local demand and suggested that some of the proposed areas of the scheme, which increased the initial capital outlay required yet would produce minimal

financial return, could be reconsidered. These areas included the events space, spectator seating and the steam and sauna facility. An alternative facility mix was suggested for a smaller scale centre which would be more in keeping with the current and future demand of the Deepings. SLC suggested that this should include:

- 6 lane 25m swimming pool with moveable floor
- 60 station gym
- 2 studios – 150 sqm each
- 4 court sports hall
- 3G pitch and relocated grass pitches.

1.32 SLC further advised that the costs associated with this smaller development would be close to the original feasibility scheme proposed (as detailed at paragraph 1.23 in Appendix One – Exempt Information) yet could still return an annual surplus. Thereby making this a more affordable option for the Council to consider.

50 metre Pool Option:

1.33 To ensure that all options and aspirations had been explored, the Leisure Improvement Board commissioned further feasibility work to consider an option to include a 50-metre pool within the development and to assess whether this could be more viable.

1.34 In completing this work, Paul Weston revisited the site masterplan and floor plans previously produced to include a 50-metre pool. Caston Cost Consultants provided the capital costs to ensure consistency. The total development cost was compared to the 25-metre scheme. Details of the associated capital costs have been included in Appendix One – Exempt Information.

1.35 SLC revisited the previously assessed demographic and latent demand information to see if there was sufficient demand within the local area to support a 50-metre pool development. They also refined the 10-year operational business plan to take account of any improvement to the income position and the associated expenditure.

1.36 A summary of the findings and associated business plan was considered by the Leisure Improvement Board in September 2020. The 50-metre option was discounted at this time, the reason for this included the following five considerations:

- There was insufficient latent demand for casual swimming and swimming lessons within the local area to justify a 50-metre pool.
- The Sport England Facility Planning Model identified there was already an over-supply of water in South Kesteven without the addition of a larger pool.
- Very few 50 metre pools across the country produce a surplus, the average deficit of existing facilities at the time was £671,108.
- The operational business plan produced identified that a 50-metre scheme would require the Council to provide an annual subsidy, rather than receive a surplus. Details of the annual projected subsidy are provided in Appendix One – Exempt Information. This subsidy would also be further increased by the additional borrowing costs associated with the increased capital investment.

- The footprint of the scheme would be larger and would result in the loss of playing fields on the Linchfield Road site. As a statutory planning consultee Sport England confirmed they would object to this.

Alternative site – Landis & Gyr Building Market Deeping:

- 1.37 In late 2020, an opportunity arose to explore an alternative site for a new leisure centre for the Deepings. The Landis & Gyr building is in a prominent position on the Northfield Industrial Estate in Market Deeping. The incumbent occupiers had indicated that they were due to vacate the site in April 2021. In conversation with the agents at the time, there was a possibility for the Council to either lease or purchase the building.
- 1.38 Paul Weston, Caston Cost Consultants and SLC were commissioned to undertake a feasibility study on the site and to compare the resulting merits against the previously explored Linchfield Road scheme. The work undertaken included proposals to remodel the building to accommodate a leisure facility, determining:
- The cost of refurbishment
 - An assessment of the catchment area and latent demand
 - The operational business plan
 - Analysis and comparison of the two schemes.
- 1.39 The study found that there were some advantages to the Landis & Gyr site, particularly in relation to the established entrance and service access points, and the provision of over 300 car parking spaces. The building, although 13 years old, was found to be constructed to a good standard.
- 1.40 A site masterplan was developed together with floor plans. These demonstrated that the building could be redeveloped to accommodate the required leisure facilities previously identified. However, the footprint of the building was larger than the Council's requirements and the modifications required to the building would be significant. The following would need to be addressed:
- The height of the building internally was much higher than a traditional swimming pool which would lead to higher energy costs.
 - The warehouse area was unsuitable for a swimming pool environment and would need to be upgraded including the treatment of exposed steelwork to withstand a pool environment.
 - The cladding of the building would need to be replaced to allow access for heavy plant and would need to be replaced with panels and a suitable inside lining for a pool hall.
 - It would be necessary to break through the concrete slab to form the new pool tanks, pool surround and plant area.
- 1.41 At the time, the capital redevelopment costs associated with the Landis & Gyr option were assessed and compared to the new build option at Linchfield Road. Details are provided in Appendix One – Exempt Information.
- 1.42 As the building is located on an industrial estate away from the town centre, a limited number of dwellings were found to be within walking distance. Nevertheless, the site offered good connectivity to transport routes to serve a wider catchment area. However, it was

acknowledged that a leisure development at this location would be some distance from the existing sports facilities at Linchfield Road playing fields.

- 1.43 The study identified significant planning issues which affected the viability of the Landis & Gyr site which had been designated as employment land within the Local Plan. As such any change of use would need to take account of policies E4 and E6 of the Local Plan:
- 1.44 Policy E4 provides protection for the site as employment land to ensure the continued provision of locally important employment uses.
- 1.45 More importantly, Policy E6 states that the Council will seek to retain and enhance existing areas of employment land unless it can be demonstrated that:
- the site is vacant and no longer appropriate or viable as an employment site, this may include the need for an effective, robust and proportionate marketing of the land and buildings to be undertaken; or
 - redevelopment would maintain the scale of employment opportunities on the site, or would deliver wider benefits, including regenerating vacant or unutilised land; or
 - the alternative use would not be detrimental to the overall supply and quality of employment land within the district; or
 - the alternative use would resolve existing conflicts between land uses.
- 1.46 Given that, at that time, the site was still occupied, and therefore no other alternative employment opportunities had been explored, or the site appropriately marketed, this was considered to be a significant barrier.
- 1.47 SLC prepared an operational business plan to compare the income and associated running costs of a leisure centre on the Landis & Gyr site. The assumptions made were the same as the Linchfield Road business plan to enable a like-for-like comparison, with the following adjustments:
- Income was reduced by 3% because of less residents being able to walk to the facility
 - The updated capital costs were used
 - Due to the age of the existing building, repairs and maintenance costs were increased by 23%
 - Given the excessive height of the pool hall and sports hall spaces, utility costs were increased by 10%.

As a result of this work, the key variances between the 10-year operational business plan for the Landis & Gyr facility when compared to the Linchfield Road scheme were assessed. This information has been provided in Appendix One – Exempt Information. The table below provides a comparison of the Landis & Gyr and Linchfield Road schemes and the associated advantages and disadvantages of each:

	Landis & Gyr Site	Linchfield Road Site
Location		
Advantages	<ul style="list-style-type: none"> The building is on a prominent location on a major road accessible by car 	<ul style="list-style-type: none"> Building near the existing facility and customer base Substantially more houses in walking distance Nearer to schools Adjacent to 3G pitch enabling joint management.
Disadvantages	<ul style="list-style-type: none"> Limited number of houses in walking distance to the site Existing customer base using Deepings LC would be potentially disturbed due to the change of location 3G pitch would be at the existing site and require separate management and security resources. 	
Planning		
Advantages		<ul style="list-style-type: none"> No significant issues with planning identified.
Disadvantages	<ul style="list-style-type: none"> Change of use would not be compliant with Council planning policy. An exceptional case would have to be made to achieve planning consent 	
Existing Building Size		
Advantages	<ul style="list-style-type: none"> The site would allow for future growth of the leisure facilities. 	<ul style="list-style-type: none"> The Council can build a facility to a size that meets local demand.
Disadvantages	<ul style="list-style-type: none"> The building is far too big for the proposed sport and leisure brief The building is higher than required for the new use and this will require additional 	

	<p>maintenance and energy costs</p> <ul style="list-style-type: none"> • Alternative income generating uses and better access would need to be agreed to justify the surplus space. 	
Existing Building Layout		
Advantages		<ul style="list-style-type: none"> • A new build will enable the Council to have the optimum layout for the new facility.
Disadvantages	<ul style="list-style-type: none"> • The locations of internal columns in the centre of the warehouse and at first floor office level limit layout options 	
Site Layout		
Advantages	<ul style="list-style-type: none"> • The car park and service access provision are to a high standard and have been well maintained. 	<ul style="list-style-type: none"> • Site layout can be tailored to the Council's requirements.
Disadvantages		
Cost		
Advantages	<ul style="list-style-type: none"> • The total development cost for the conversion of the building plus its purchase cost was less than the development costs of a new build. • 10-year whole life costs likely to be slightly lower than Linchfield Road site. 	
Disadvantages	<ul style="list-style-type: none"> • It would not be possible to spread the payments over 50-years for an existing building making the annual repayments much higher for the Landis and Gyr rebuild. 	<ul style="list-style-type: none"> • Higher building costs • Slightly higher 10-year whole life costs.
Life Cycle Cost		

Advantages		<ul style="list-style-type: none"> • Lower lifecycle costs for new build.
Disadvantages	<ul style="list-style-type: none"> • Life cycle/replacement costs will be higher than a new build because some of the existing materials will already be approximately 15 years old before construction commenced. 	
Energy Efficiency		
Advantages		<ul style="list-style-type: none"> • New build facility will be able to utilise the latest energy conservation technology and building design • This site will enable more residents to access the facility through walking and cycling.
Disadvantages	<ul style="list-style-type: none"> • Many parts of the building are 15 years old and not built to modern energy efficient specifications • This site will require more car visits and the associated environmental impact of this. 	
Delivery		
Advantages	<ul style="list-style-type: none"> • The construction period for a remodel option would be quicker than a new build. We estimate that a saving of about 6 months could be achieved. 	
Disadvantages		<ul style="list-style-type: none"> • Construction period 6-months longer than Gyr & Landis site

1.48 The Leisure Improvement Board considered the feasibility report and concluded that, although there were some advantages to the Landis & Gyr option, including the reduced capital outlay, the significant disadvantages including the impact of the reduced borrowing term, and the planning barrier made the scheme unviable.

Smaller Facility for Deepings:

1.49 During the feasibility work previously undertaken the Council had been advised that there may be insufficient demand for a leisure facility of the scale and size previously proposed for the Deepings. In a bid to make a leisure centre development more affordable, and to fully assess all options, SLC were commissioned to produce a business plan for a smaller scale leisure facility which would be more in line with local demand and would require less capital outlay. Taking the evidenced community need into account it was proposed that the smaller replacement facility should include:

- 6 lane 25m pool with full moveable floor
- Spectator seating for 100 people
- 4 court sports hall
- 80 station health and fitness gym
- 200 sqm multi-purpose studios x 2
- Changing provision for both indoor and outdoor activities
- Café

1.50 To ensure a consistent approach, SLC used Paul Weston Architect and Caston Cost Consultants to assess the capital cost of the smaller scheme. In addition, Caston Cost Consultants updated the capital cost of the larger scheme to reflect the latest inflation estimates to ensure a like for like comparison. The capital costs of the two schemes have been included in Appendix One – Exempt Information

Impact on Business Plan:

1.51 Exempt Background Paper 6 – Replacement of Deepings Leisure Centre, January 2021 provides details on the projected annual income and expenditure of a smaller leisure facility. Also provided is the projected annual surplus of the facility, and the impact on the Council's revenue budget if this was to be financed by prudential borrowing over a 50-year term.

1.52 This work demonstrated that, even though a smaller scale facility in Deepings would require less capital outlay and be more in keeping with local demand, the development could not be delivered on a cost neutral basis for the Council and would still result in a significant annual revenue pressure.

Summary of Feasibility Work Undertaken:

1.53 Appendix One – Exempt Information contains a table which summarises the impact of each of the options on the Council's finances. The capital cost of each scheme has been inflated to account for the rising cost of construction materials as a result of the ongoing impact of COVID-19. The table details the cost of borrowing, the level of income each centre is projected to achieve, the Council's wider costs and identifies the annual impact on the Council's finances.

Temporary Closure of Deepings Leisure Centre:

1.54 On 29 July 2021, in consideration of the significant health and safety risk to the public and staff, the Chief Executive, in consultation with the Leader of the Council and the Cabinet Member for Leisure, made the decision to temporarily close Deepings Leisure Centre using the emergency powers available under Article 16 of the Constitution.

- 1.55 As the owner of the building LCC were notified and subsequently carried out an initial condition survey. This originally identified circa £1.2 million of work would be required to rectify some of the issues which had been identified.
- 1.56 As the operator of the leisure centre the Council were aware of further works which would be necessary yet had not been identified within the condition survey procured by LCC. Given that they were familiar with the existing leisure centre, Paul Weston and Caston Cost Consultants were commissioned to provide an opinion on the findings of the condition survey provided by LCC, to identify appropriate costs for the additional works required, and to give consideration to how the life of the building could be extended by 25-years. These findings were reported to Council on the 2 September and are included in Appendix One – Exempt Information.
- 1.57 Whilst Deepings Leisure Centre has remained closed the Council have continued to maintain Linchfield Road Playing Fields and these have remained available for hire by the local community and Deepings School.
- 1.58 The closure of the sports hall has impacted on the operation of Deepings School who are reliant on having a sports hall available as part of the delivery of their curriculum, and for use as an exam hall. To compensate for the loss of the sports hall the Anthem Trust have applied for planning permission for a temporary facility which will remain in place until such time as a decision is made on the future of Deepings Leisure Centre. The Council believes that an order has already been placed for the temporary facility.
- 1.59 Customers of Deepings Leisure Centre have been encouraged to use one of the Council's three other leisure centres within the district.

Refurbishment Options:

- 1.60 Following the meeting of Council, Paul Weston Architect, together with Caston Cost Consultants and SLC were commissioned to bring forward refurbishment options to include the associated capital costs and operational business plan.
- 1.61 The appointments were made in accordance with the Council's Contract Procedure Rules and with the advice and guidance of the Council's Procurement Officer. The table below details how each piece of consultancy work was secured:

Contractor	Procurement Route
Paul Weston (incl costings)	Direct award – under Council limit
SLC	Appointed via ESPO framework
Survey Solutions	Direct award – under Council limit
Caston Chartered Surveyors	Direct award – under Council limit

- 1.62 To inform the work undertaken the following surveys have been carried out on the existing leisure centre:
- Topographical survey
 - Measured building survey
 - Utility and drainage survey
 - Building condition survey

- Drone roof survey

1.63 The recommendation made by Council on the 2 September 2021 was that any refurbishment scheme should enhance the life of Deepings Leisure Centre. To enable the Council to spread any borrowing over the maximum period, Paul Weston was again requested to provide options which would provide an additional lifespan of 25 years.

1.64 Across all options considered it should be noted that the condition survey has identified that further investigation is required to the corroded concrete reinforcement in the basement plantroom before costs can be finalised. There are also the following points to consider:

- The condition survey has assumed that the various roof deck materials cannot be repaired and provide an additional life of 25-years. In consideration of this the design team agree with the survey findings that it is likely the roof decks will have been damaged by water penetration and a full replacement will be required.
- The condition survey has also assumed that the external cladding will need to be replaced rather than recoated.

1.65 Three options were initially identified for consideration, these being:

- A basic refurbishment of the existing facilities and rectification of the items identified in the condition survey
- A basic refurbishment of the existing facilities and rectification of the items identified in the condition survey, with the addition of enhanced gym space
- A complete remodelling of the existing leisure centre to include the rectification of condition survey items and to provide enhanced leisure provision in line with the facilities previously identified for a new build facility.

1.66 Within this report each of the options identified above have been compared to the evidenced community need for a leisure facility in the Deepings area, as described in paragraph 1.49. Under each option a table has been provided which demonstrates how each option meets the identified need, or any resulting gaps in provision.

1.67 In addition to the condition survey items identified it has been necessary to also add in the costs for the following works to each option, these works are conditional on the Anthem Trust providing a lease to the Council:

- Carrying out repairs and resurfacing of the car park
- Providing a new incoming water main from Park Road to replace the existing supply which is routed through the school premises
- Sub-metering of the electrical supply which is supplied through the school building
- The installation of bollards adjacent to the entrance gate to the car park to prevent access when the facility is closed.

1.68 A copy of Paul Weston's Deepings Leisure Centre Options Study has been provided at Exempt Appendix Two to this report. This contains a detailed breakdown of the capital costs for each option. Exempt Appendix Three provides the supplemental information for a further option considered.

1.69 SLC have provided an operational business plan for each of the options considered and a copy of their report has also been provided at Exempt Appendix Four.

Deepings Leisure Centre Facilities:

1.70 The existing leisure centre has the following facilities:

- 25 metre 6 lane pool
- 11.5 metre learner pool
- Spectator seating for 150
- 33.5 metre sports hall
- Health and fitness gym with 25 fitness stations
- Four squash courts (one of which has been re-purposed as a spin studio)
- Cafe
- Changing accommodation

1.71 Most of the facilities are based on the ground floor, with the health and fitness gym, café, and spectator seating being situated on the first floor. This results in a large area of the first floor being under-utilised.

Option A – Basic Refurbishment

1.72 Option A, whilst providing an additional lifespan of the building for 25-years, purely addresses the items noted for rectification within the condition survey. The total amount of the works identified in the condition survey report are detailed in Appendix One – Exempt Information. However, this does not include for the additional works which are required by the Anthem Trust, details of the costs associated with these works has also been provided in Appendix One – Exempt Information.

1.73 Under this option no changes to the building layout have been proposed and there would be no enhancement in terms of activities. A breakdown of the total projected build and project costs, the projected annual income, which has been assessed by SLC, and the Council's wider costs are included in Appendix One – Exempt Information.

1.74 A basic refurbishment of the current centre falls short of the identified future need, as summarised in the table below, the gaps in provision being identified in red:

Area	Future Need	Option A Facilities
Pool Hall	25m x 6 lane pool with moveable floor	25m x 6 lane pool 0.85m – 1.8m deep 11.5m x 6.5m learner pool 0.75m deep
Spectator Seating	100 seats	150 seats at gallery level
Health and Fitness Gym	80 station fitness gym 400 sq m	31 stations (25 stations at first floor and 6 stations in converted squash court). Total 144 sq m approx
Multi-purpose studios	2 x 200 sq m studios with storage	No studios. 1 converted squash court 66 sq m being used as a spinning studio
Sports Hall	4 court 34.5m x 20m sports hall	4 court 33.5m x 18m sports hall

Option B – Basic Refurbishment and Enhanced Gym Provision:

- 1.75 This option picks up the works identified in the condition survey and partly addresses the shortfall in facilities by converting the existing four squash courts to an 80-station fitness gym at ground level and introducing a first-floor mezzanine.
- 1.76 The existing gym could be retained and re-purposed as a studio, although its use would be limited due to the small size (approximately 75 sq m) and the structural columns which would need to be retained. The windows, which currently overlook the sports hall, would be replaced by a solid partition wall with a mirrored face in the studio.
- 1.77 The costs and associated business case for this option are included in Appendix One – Exempt Information. This refurbishment option offers a slight improvement when assessed against the identified need as summarised in the table below, again the deficiencies are identified in red:

Area	Future Need	Option B Facilities
Pool Hall	25m x 6 lane pool with moveable floor	25m x 6 lane pool 0.85m – 1.8m deep 11.5m x 6.5m learner pool 0.75m deep
Spectator Seating	100 seats	150 seats at gallery level
Health and Fitness Gym	80 station fitness gym 400 sq m	80 station fitness gym on ground floor and mezzanine converted from existing squash courts
Multi-purpose studios	2 x 200 sq m studios with storage	Existing 75 sq m gym converted to a very small studio
Sports Hall	4 court 34.5m x 20m sports hall	4 court 33.5m x 18m sports hall

Option C – Full Remodelling and Refurbishment:

- 1.78 Under Option C a full range of remodelling and refurbishment options has been identified to address the following:
- Meeting the identified community needs
 - Providing a financially sustainable facility
 - Improving energy use and costs
 - Providing a facility which the Council and its customers can be proud of
- 1.79 In establishing the full range of options, Paul Weston has assessed each area of the building and established a range of options and costs for possible alternative uses. Caston Cost Consultants have then identified the cost of refurbishment and remodelling each area. The full list of options has then been compared against the optimum facility mix previously identified by SLC to establish whether a full remodelling of the existing leisure centre could meet the previously identified need. As a result, the following mix of options have been included in Option C:

Main Pool Reconfiguration:

- 1.80 A reconfiguration of the pool to provide a level deck, re-tiling the pool tank, and the addition of a partial moveable floor would provide the required water area previously identified and be flexible enough for a mix of swimming lessons, lane swimming and competitive swimming events.
- 1.81 According to the needs analysis the existing 25 metre pool and learner pool currently provide more water space than is necessary. In addition, the current pool surround is excessive, and the height of the building over the learner pool results in high energy costs. The installation of a moveable floor in the main pool would provide an area of 13 metres by 10 metres of shallow water, which is greater than the area of the existing learner pool.
- 1.82 In addition to being more energy efficient the learner pool area can then be utilised for other health and fitness accommodation needs, the space being sufficient for two storeys of accommodation.

Health and Fitness Gym:

- 1.83 The existing four squash courts could be reconfigured to accommodate a health and fitness gym of the required size to accommodate 80 stations with the addition of a mezzanine floor.
- 1.84 Structural amendments would be required to remove some of the internal walls where views out could be created, which would also provide an animated and attractive frontage to the leisure centre.

Studios:

- 1.85 Two studios could be accommodated in two levels within the existing pool hall area which currently houses the learner pool. Each studio would meet the size requirements of 200 square metres and provide the required storage.

Changing Village:

- 1.86 A conversion of the existing separate male and female wet changing rooms to a unisex changing village would bring the areas up to modern standards and provide a flexible and family friendly environment. This would incorporate lockable changing rooms for school groups and families.

Male and Female Dry Change:

- 1.87 The existing male and female dry changing rooms, which adjoin the sports hall, could be refurbished, and brought up to current standards within the existing floor area.

Entrance:

- 1.88 The entrance could be modified to be more inviting and give the leisure centre a greater presence from the car park. It is proposed the toilets, which are currently off the reception, are remodelled to create a small seating and vending area.

Sports Hall:

- 1.89 This option includes for a refurbishment of the sports hall to include a new floor, cladding and structural alterations to the roof.

General Refurbishment:

- 1.90 Within Option C costs have also been included for the demolition of the existing boiler house. A services consultant would be required at the next design stage to determine whether there

is a better solution than the current boiler house and oil tank configuration, which is unattractive. This may mean that the plant room can be relocated to the first floor of the building.

- 1.91 It has been proposed that the seating gallery would be retained, with all finishes replaced, and the seating refurbished.
- 1.92 Small male and female changing rooms could be provided on the first floor in the areas which are currently allocated as offices or storage areas and not in use.
- 1.93 The existing gym facility can be re-purposed to provide a small meeting room.
- 1.94 Option C includes the cost of re-cladding the approach elevations with colour coated aluminium curtain walling and installing feature windows. It is proposed that composite cladding will be added to the remaining elevations which are less visible.
- 1.95 The new single layer membrane and insulated roof deck, in combination with the new insulated cladding system will improve the thermal performance of the building and contribute to energy savings and carbon efficiencies.
- 1.96 The costs and associated business case for Option C are included in Appendix One – Exempt Information. This option would satisfy the future accommodation needs identified in the needs analysis, as summarised in the table below:

Area	Future Need	Option C facilities
Pool Hall	25m x 6 lane pool with moveable floor	25m x 6 lane level deck pool with partial moveable floor providing a range of water depths suitable for swim lessons and/or competitive lane swimming
Spectator Seating	100 seats	150 seats at gallery level
Health and Fitness Gym	80 station fitness gym 400 sq m	80 station fitness gym on ground floor and mezzanine converted from existing squash courts
Multi-purpose studios	2 x 200 sq m studios with storage	2 x 200 sq m studios with storage
Sports Hall	4 court 34.5m x 20m sports hall	4 court 34.5m x 18m sports hall (subject to survey)

- 1.97 In addition to meeting the identified need, Option C would provide the look and feel of a new leisure centre. All that would be retained from the previous leisure centre is the structure of the building, the inside being completely remodelled and the outside having a more welcoming and attractive presence from the car park.

Option B Plus:

- 1.98 As there was a significant cost difference between Option B and C, Paul Weston and SLC were requested to look at a fourth option, which was based on Option B with the addition of an enhanced entrance to the leisure centre, the accommodation of a larger studio on the first floor, and the replacement of the male and female swim change areas to a changing village.

1.99 The costs and associated business case for Option B Plus are included in Appendix One – Exempt Information. This option provides a reduced capital outlay, and comes close to the identified community need as summarised in the table below:

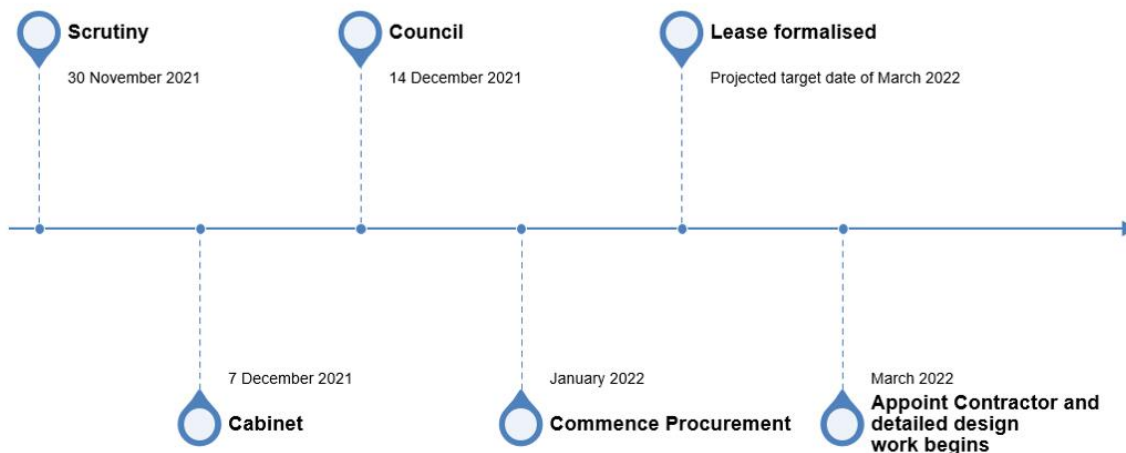
Area	Future Need	Option B Facilities
Pool Hall	25m x 6 lane pool with moveable floor	25m x 6 lane pool 0.85m – 1.8m deep 11.5m x 6.5m learner pool 0.75m deep
Spectator Seating	100 seats	150 seats at gallery level
Health and Fitness Gym	80 station fitness gym 400 sq m	80 station fitness gym on ground floor and mezzanine converted from existing squash courts
Multi-purpose studios	2 x 200 sq m studios with storage	Existing 75 sq m gym extended to a 190 sq m studio
Sports Hall	4 court 34.5m x 20m sports hall	4 court 33.5m x 18m sports hall

1.100 The only gap in provision with Option B is the provision of one studio, which is slightly smaller than the size identified. In addition, some structural columns would need to be retained which may limit the use of the area.

1.101 Although Option B Plus comes very close to providing the facilities identified and provides an enhanced lifespan to the building of 25-years, there would be parts of the building which would remain unchanged. These areas include the spectator seating, general circulation spaces, and the majority of the first-floor area. Therefore, this option does not offer a significant improvement in the customer experience.

General Information and Timeline:

1.102 Below is a summary of the governance and procurement timeline which is applicable to each of the four options:



1.103 All of the refurbishment options identified in this report are at a very early feasibility stage. As the project develops each option could be further refined, and there also remains the

possibility to value engineer some of the costs down if and when the Council appoints a developer.

- 1.104 The anticipated construction period for each of the options considered varies depending on the complexity of the work to be undertaken. The table below summarises each option, the associated construction period and when a refurbished facility would be expected to open:

	Option A Basic refurbishment	Option B Basic refurbishment with gym facility	Option B+ Basic refurbishment with enhancement	Option C Full remodel and refurbishment
Construction Commencement	January 2023	January 2023	January 2023	January 2023
Construction Completion	December 2023	June 2024	August 2024	November 2024
PUBLIC OPENING	January 2024	July 2024	September 2024	December 2024

Football Foundation Grant Funding Opportunity:

- 1.105 The Football Foundation have identified the Deepings area as a priority for the development of a 3G pitch. Previously the Council have been in talks with them around the opportunity to apply for grant funding to develop pitch on the Linchfield Road Playing Fields. This would replace the old astroturf pitch which is end of life and there is a budget allocation of £700,000 of which £200,000 is financed by the Council in the capital programme to allow for the required match funding should an application proceed.
- 1.106 Earlier this year the Football Foundation advised that there would be a delay in opening up the application process. This was primarily due to constraints on their funding pipeline, and concerns around how a 3G pitch could be accommodated as part of a new build scheme on the Linchfield Road Playing Fields.
- 1.107 Recent discussions have now confirmed that the Football Foundation would welcome an application from the Council in either April or July 2022. A successful application could provide enhanced sports and leisure facilities on the Linchfield Road Playing Fields which would complement a refurbished Deepings Leisure Centre.
- 1.108 Work has now recommenced on the application, including consultation with the local sports clubs and societies who would benefit from the development. If the application were to be successful, the Council would need to have a lease in place prior to any funding being drawn down.

Land Negotiations:

- 1.109 Following the meeting of Council on 2 September 2021, the Leader of LCC had offered to transfer the freehold of the existing Deepings Leisure Centre to the Council for £1.

- 1.110 Although the Council were keen to explore this as an opportunity, unfortunately this has not proved to be possible. Under the provision of the Academies Act, the whole of the leisure centre building and land, together with the Linchfield Road Playing Fields will need to be transferred via a lease agreement to the Anthem Trust. Any deviation from this would require consent from the Department for Education who have confirmed to LCC that such consent would not be granted.
- 1.111 Negotiations have since progressed on the basis that the leasehold transfer of the land and leisure centre building from LCC to the Anthem Trust will be concluded, and that the Trust will subsequently enter into a lease with the Council to include the existing leisure centre building, the car park and Linchfield Road Playing Fields.
- 1.112 A lease between the Anthem Trust and the Council will still require the consent of the Department for Education. However, they have provisionally confirmed that they would be agreeable to a lease arrangement, subject to Deepings School retaining the use of the sports hall and playing fields during the school day. The community would have the full use of the pool and the remainder of the leisure facility.
- 1.113 It is a further requirement of the Department for Education that all of the leases will need to be based on standard academy lease terms and conditions. As such the term will need to be 125 years, although provision for a break clause can be accommodated at 25-years.
- 1.114 As there are significant works required to the existing leisure centre, legal advice has been received that it will be necessary for LCC and the Anthem Trust, and subsequently the Trust and the Council, to enter into an Agreement for Lease prior to the formal lease arrangement. This Agreement will oblige the Council to undertake any agreed refurbishment works and copies of plans and the specification for the works will be attached to the Agreement. The Agreement for Lease will also place an obligation on the Trust to grant the Council a lease on the successful completion of the works.
- 1.115 The terms of the Lease would need to be agreed prior to entering into the Agreement for Lease, the final form of the Lease being attached to the Agreement. The terms of the Agreement for Lease will provide that the lease will come into force upon practical completion of the refurbishment works. Failure to subsequently enter the Lease would be deemed a breach of contract and would leave the party in breach liable for any losses incurred by the other.
- 1.116 This arrangement will provide the Council with the security required to invest in the leisure facility, whilst also protecting the Trust from inheriting the building in its current state and condition. The Agreement for Lease would also include a longstop date which would provide the Trust with comfort of the Council's intention to complete any works to the building in a timely manner.
- 1.117 Good progress has been made on agreeing the Heads of Terms for the Agreement of Lease, and subsequent Lease. This will require the agreement of the School's Trustees, who are scheduled to meet on the 2 December 2021.
- 1.118 One of the conditions of the Agreement for Lease is that the Council and the Trust agree the terms of a Service Level Agreement (SLA). The Trust will require the ongoing use of the car park, and exclusive use of the sports hall and playing fields during school hours term-time. The SLA will detail the associated charge to be made for the use of the facilities, and how and when the charges will be reviewed.

- 1.119 Agreement has already been reached with the Trust on an appropriate level of payment for the current use of the Linchfield Road Playing Fields during the school day. It is proposed that a similar arrangement is agreed for the use of the sports hall and that the Trust will also contribute to the ongoing maintenance of the car park.
- 1.120 In addition to this LCC have confirmed that S106 monies had been allocated to provide the Trust with sports facilities. The total amount is £1.063 million; however, it should be noted that this is not due to be fully received for five years.
- 1.121 It was previously envisaged that the funding could be used to provide the Trust with their own sports hall facility. Subject to the agreement of the Trust and their Trustees, there may be an opportunity to utilise some of the S106 money which has been allocated towards the refurbishment of Deepings Leisure Centre. This would, however, be subject to the Trust being guaranteed the ongoing use of the sports hall.

2 Consultation and Feedback Received, Including Overview and Scrutiny

- 2.1 On the 17 August 2021, in consideration of a report on the age and condition of Deepings Leisure Centre, Cabinet made two recommendations:
- A deferment to an extraordinary meeting of the Council at the earliest convenience in accordance with paragraph 4.4.3(a) of the Constitution.
 - That the leisure centre building should remain closed on health and safety grounds, until the matter could be fully considered at the extraordinary meeting of Council.
- 2.2 At the subsequent extraordinary meeting of the Council held on the 2 September 2021, it was recommended that the Council:
- Provide a one-off budget, of up to £100k, to commission a full structural survey and bring forward refurbishment options for Deepings Leisure Centre in order to assess the level of work necessary to remedy the health and safety issues, and further extend the operational life of the current leisure centre.
 - Provide delegated authority to the Director of Housing and Property and the Head of Leisure to undertake negotiations with Lincolnshire County Council and The Anthem Trust to secure a viable operational lease of the Deepings Leisure Centre
 - That the Culture and Visitor Economy Overview and Scrutiny Committee, and the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee consider a further report on the options for the refurbishment of the Deepings Leisure Centre, together with the associated costs and recommend to Cabinet the optimum way forward.
 - That a report be provided to Cabinet which should include the recommendations from the joint meeting of the Culture and Visitor Economy and Finance, Economic Development and Corporate Services Overview and Scrutiny Committees, together with an update on the discussions to secure a leasehold interest in Deepings Leisure Centre, before making a recommendation to the Council.
 - That reports to Overview and Scrutiny Committees should include costed outline proposals and business plans for the potential site(s) for a new leisure centre in the Deepings including the sites which have not yet been made public.
- 2.3 On the 14 October 2021 a briefing session was held for the Members of the Culture and Visitor Economy and Finance, Economic Development and Corporate Services Overview

and Scrutiny Committees. A paper was circulated in advance of the meeting and a presentation detailed the feasibility work undertaken to date in relation to a new centre, and the work which was to be undertaken to identify refurbishment options for the existing centre.

- 2.4 On the evening of the 14 October 2021, all Members of the Council were invited to tour the OneNK Centre in North Hykeham. The centre is of a similar build and age as the existing Deepings Leisure Centre and was formerly refurbished, Paul Weston being the lead Architect.

3 Available Options Considered

Do Nothing:

- 3.1 Deepings Leisure Centre currently remains closed due to the significant health and safety concerns relating to the building, and the risks posed if operated in its current state and condition. Without investment and rectification of the necessary remedial works identified in the condition survey, it will be necessary for the leisure centre to remain closed.
- 3.2 The leisure centre building and land is currently in the ownership of LCC. Should the Council decide not to invest in the facility there is an option to formally provide notice to LCC that the Council intends to permanently cease the operation of Deepings Leisure Centre. This would require negotiation between the Council and LCC as to who would be responsible for the costs of demolishing the existing leisure centre building.

Invest in a New Centre:

- 3.3 As detailed within this report, feasibility work has been undertaken which has identified several options for a new leisure centre for the Deepings along with the required capital investment.
- 3.4 An operational business plan has been developed for the options to identify the projected annual surplus a new leisure centre could provide, and the impact on the Council's revenue budgets.
- 3.5 Due to increasing budgetary pressures, and the impact of COVID-19 on the Council's finances, it has been established that any investment would need to be funded by prudential borrowing.
- 3.6 Considering the projected annual surplus of each of the schemes assessed, all of the options identified would result in a significant long-term revenue pressure for the Council.
- 3.7 As detailed within the report to Cabinet on the 17 August 2021 and the report to Council on 2 September 2021, a further option was identified which could provide a new leisure centre for the Deepings area in a different location. Early talks have taken place with LCC regarding a potential joint leisure and residential development on the Millfield Road site in Market Deeping.
- 3.8 The Millfield Road site is not currently allocated within the Local Plan, however could be included in the call out for sites which is currently ongoing as part of a refresh of the Plan. This would require the Council and LCC to work together to submit a joint proposal for consideration.
- 3.9 As the anticipated timeline for the adoption of a refreshed Local Plan is not until December 2024, this would leave the Deepings area without leisure provision for some time. In addition, any future development of a leisure centre would still be subject to a favourable business case and funding strategy.

- 3.10 In addition, a residential development at this location has previously met with resistance from the local community and is highly likely to be unpopular.

Invest in a Remodelled Centre:

- 3.11 As detailed within this report feasibility work has taken place on the Landis & Gyr site in Market Deeping. Whilst some advantages were identified in relation to this scheme, including a reduced capital outlay, the age of the building and the reduced borrowing term would result in a higher impact on the Council's General Fund revenue budgets.
- 3.12 As the site had been allocated as employment land within the Local Plan and advice was received that this would be a barrier at the planning stage.

Refurbish Existing Centre:

- 3.13 As detailed within this report, four options have been identified to refurbish the existing Deepings Leisure Centre. An operational business plan has been developed for each option, and the impact on the Council's revenue budget has been identified.
- 3.14 Each of the options identified would extend the life of the existing Deepings Leisure Centre by an additional 25-years. This would maximise the term the Council would be able to borrow the capital over.
- 3.15 The options range from a rectification of all items identified on the condition survey, to a full remodel and refurbishment of the existing centre which would provide similar facilities to those previously identified when assessing the feasibility of the new leisure centre.

4 Next Steps – Communication and Implementation of the Decision

- 4.1 It is proposed that the recommendations made from this joint meeting of Culture and Visitor Economy and Finance, Economic Development and Corporate Services Committee will be considered at a meeting of Cabinet on the 7 December 2021. It is envisaged that Cabinet will make a further recommendation onto an Extraordinary Meeting of the Council to be held on 14 December 2021.
- 4.2 Prior to making any investment in Deepings Leisure Centre, the current negotiations on the Heads of Terms for an Agreement for Lease, and the associated Lease, will need to be concluded. This will also include the development of an SLA which will set out the School's use of the leisure centre and an appropriate charge.
- 4.3 LCC and the School are aware of the urgency of agreement being reached and are fully committed to ensuring legal matters are brought to a swift conclusion. However, this will also be dependent on the timescale for approval by the Department for Education. Whilst this is out of the hands of the parties involved, LCC have remained in regular contact with them to ensure that they are fully aware of developments. It should be noted that the Department for Education have been chasing for a resolution of the leasehold arrangements between LCC and the School for some time and are pleased that this is now in progress.

5 Financial Implications

- 5.1 The report sets out a range of options in respect of the leisure offer for the Deepings and surrounding area. The options include new builds and refurbishment scenarios, and these are set out in the report. Each of the options clearly set out the financial implications for the Council each year for the period of the borrowing.

- 5.2 This report includes a range of refurbishment options relating to the existing Deepings Leisure Centre that will extend the operational life by 25 years. Each of the options have significant capital implications that will require borrowing whichever option is taken forward, and there is currently insufficient Council reserves to meet the costs without borrowing.
- 5.3 The borrowing will incur an annual charge to the General Fund for the duration of the asset's life. The annual charge will include borrowing costs and a requirement to make an annual Minimum Revenue Provision (MRP). This is the method by which local authorities charge their revenue accounts over time with the cost of their capital expenditure which is funded by borrowing. As part of the review of the Medium-Term Financial Plan (MTFP) the Council will need to consider how this newly introduced revenue cost can be funded sustainably over the 25-year period.
- 5.4 Financial modelling of the revenue implications of each option has been undertaken by external leisure professionals in order to demonstrate the optimum refurbishment configuration. In the event of there being an operating surplus then this should be used in the first instance to offset the borrowing costs to reduce the impact on the Council finances. As the projections cannot be wholly relied upon, it is prudent to assume the total of the borrowing costs when considering the options presented.
- 5.5 The range of borrowing costs that will be incurred are shown in the table below:

	New build*					Refurbishment			
	6 Lane 25m pool	8 Lane 25m pool	8 Lane 50m pool	Landis & Gyr	Smaller 6 Lane Pool	A	B	B+	C
Capital Cost	£21.447m	£26.094m	£34.799m	£23.598m	£20.171m	£5.728m	£6.754m	£8.075m	£10.663m
Annual Borrowing	£0.858m	£1.044m	£1.392	£1.346m	£0.807m	£0.344m	£0.405m	£0.485m	£0.640m

*15% inflationary/contingency cost included

- 5.6 Currently the Council's medium term financial plans cannot demonstrate affordability for any of the new build or refurbishment options as the financial outlook is uncertain primarily due to changes to the national funding arrangements. However, this is regularly reviewed as part of the annual budget cycle and changes both from a local and national context are incorporated into the medium term outlook.
- 5.7 It is imperative that the Council undertakes a review of its spending priorities in order to include any borrowing costs into its revenue budgets and therefore enable demonstration of the affordability of undertaking such a large scale of borrowing. The Council will also be aware of other capital investment programmes and the wider national context of funding changes that will impact on the Council finances from 2023/24 onwards. This structural review of how the Council's finances are allocated and prioritised in the context of the Corporate Plan actions and the inclusion of the borrowing obligations will be required should a decision be taken to proceed with any option.

Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance and s151 Officer

6 Legal and Governance Implications

- 6.1 The Council has previously received legal advice that, in the absence of any formal arrangements, they have been occupying Deepings Leisure Centre as 'tenants at will'. As such the Council currently has no legal interest in the building and the advice received has

confirmed that, despite the Council being historically responsible for the ongoing repair and maintenance of the current centre there is no ongoing legal obligation for this to continue.

- 6.2 It will be necessary for the Council to secure expert legal advice and support to develop the Heads of Terms, which will form the basis of an Agreement for Lease and Lease between the two parties.

Legal Implications reviewed by: Graham Watts, Head of Democratic Services and Deputy Monitoring Officer

7 Equality and Safeguarding Implications

- 7.1 An Equalities Impact Assessment has previously been undertaken to assess the impact a permanent closure of Deepings Leisure Centre would have on the local community.
- 7.2 This assessment demonstrated that a closure would negatively impact on all groups with protected characteristics who, along with the rest of the customers, would no longer be able to undertake activity at Deepings Leisure Centre.
- 7.3 As a counter to this negative impact, customers have been encouraged to use the three other leisure centres within the district. Whilst this may not be the preferred option for the previous users, this has helped to mitigate some of the impact.

8 Risk and Mitigation

- 8.1 The most significant risk remains the inability to secure a lease of the current leisure centre land and building. Although good progress has been made with the agreement of Heads of Terms between the Council and the School, the Agreement for Lease, and subsequent Lease, will need to be approved by the Department for Education. The timescale for this is out of the Council's control, however LCC have confirmed that they are hopeful that this will be dealt with expediently.
- 8.2 Although talks are continuing, to date LCC have not confirmed any financial contribution to the cost of refurbishment.
- 8.3 As detailed within this report there may be some S106 monies available which total just over £1 million. However, as these relate to future housing developments, the funds are only projected at this time. In addition, as the funds have been set aside to provide sporting facilities for Deepings School, any allocation of S106 funding to the Council would be dependent on the agreement of the School's Trustees.
- 8.4 To ensure the refurbishment options detailed within this report are as robust as possible an element of inflation and contingency have been included within the projected costs. Whilst this has allowed the Council to predict the likely impact on the Medium Term Financial Plan, the project is at a very early stage and therefore there can be no certainty around the costs at this stage until the Council can engage the market place.
- 8.5 It is widely accepted that construction costs have risen therefore until the project is at the appropriate stage it is not possible to test the market and the assumptions that have been made. However, these assumptions have been made on the advice of industry specialists and are considered to be prudent.
- 8.6 It has been assumed that the Council will begin to appoint a design team and developer for the next stage of the project in January 2022. Any delay may increase the risks around inflationary price rises.

- 8.7 As a result of Brexit and COVID-19 it has been well documented that nationally there is a shortage in labour and materials. This could add in further costs or result in a delay to the recommended refurbishment option being completed. To mitigate this risk, it is recommended that the Council undertake some early market engagement to assess the current situation.
- 8.8 The business plans provided within this report are based upon the known competition within the local area. There remains a risk that a competing facility could open which would have a prejudicial impact on the projected income.
- 8.9 If a budget is secured and the refurbishment works are to proceed an appropriate Risk Register will be developed and managed as part of the project works.
- 8.10 There is asbestos within the existing leisure centre building. On the advice of the cost consultants an appropriate allocation for the encapsulation and/or removal of this has been included in the costs for each refurbishment option.
- 8.11 Financial Risks – the financial risks are set out at paragraph 5 of the report and set out the detail of the financial implications of the options.

9 Community Safety Implications

- 9.1 The Council has a statutory duty under health and safety law to ensure that any premises and equipment used are safe.

10 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

- 10.1 Previously the Council's four leisure centres have accounted for 41.5% of the Council's carbon emissions. The temporary closure of Deepings Leisure Centre will result in a carbon saving whilst the centre remains closed.
- 10.2 Any future development, or refurbishment option will be undertaken in line with current building standards and include opportunities to reduce carbon emissions.

11 Other Implications (where significant)

- 11.1 None

12 Background Papers

- 12.1 Background Paper 1 - Enhancing Leisure Opportunities for Everyone 7 March 2019
- 12.2 Exempt Background Paper 2 - Mace Ltd Feasibility Report and Appendices
- 12.3 Exempt Background Paper 3 - SLC Report, Replacement for Deepings Leisure Centre Business Plan – October 2020
- 12.4 Exempt Background Paper 4 - SLC Briefing Paper, 50 metre pool option – August 2020
- 12.5 Exempt Background Paper 5 - SLC Report, Landis & Gyr Review - December 2020
- 12.6 Exempt Background Paper 6 - SLC Report, Replacement of Deepings Leisure Centre – January 2021

13 Appendices

- 13.1 Exempt Appendix One – Exempt Information
- 13.2 Exempt Appendix Two – Paul Weston Refurbishment Options Report

- 13.3 Exempt Appendix Three – Paul Weston Supplemental Information
- 13.4 Exempt Appendix Four – SLC Refurbishment Options Business Case Report