

SPRINGWOOD LEISURE CENTRE AND LIBRARY

SUMMARY

- 1.1 This report updates Cabinet of the work that has been carried out on the development of Springwood Leisure Centre to form a new gym and library together with revised financial implications since Council approval of the initial scheme on 13 September 2006 and is included in the approved 2007/08 capital programme.
- 1.2 The proposed new scheme shows that 40 additional fitness stations can now be accommodated on the site making 65 in total, which is a reduction of 35 on the original estimate of 100 fitness stations.
- 1.3 The approved scheme included in 07/08 capital programme had a total cost of £1.172m, of which £1m for the cost of the new gym, was to be funded from self-financing prudential borrowing paid for from anticipated additional membership fee income.
- 1.4 The estimated capital cost of the proposed new scheme is £1.262m, made up of £1.09m for the gym and £172k for the library. In order to remove the financial affordability risk based on the ambitious new membership targets included in the original scheme, it is prudent for the funding of the new scheme to be met from overall slippage within the approved capital programme.
- 1.5 As it is anticipated that new membership fees will increase gradually over time at the rate of 8 new members a month which will require additional employees and running costs for the new gym, there is a projected revenue budget deficit of £72k in 2008/09, £53k in 2009/10, £33k in 2010/11 and reducing to £2k in 2011/12. This amounts to £160k over the four year period and will be met from within Environmental Services revenue budgets.
- 1.6 An additional £57k for ongoing running costs for the library from 2008/09 going forward, will be funded through a corporate allocation and will be identified as a pressure in the 2008/11 budget strategy report scheduled for Cabinet on 31 July 2007.

RECOMMENDATIONS

- 2.1 Approve the amendment to the 2007/08 capital programme for the Springwood Leisure Centre and Library at a revised cost of £1.262m to be funded from slippage within the overall approved capital programme.
- 2.2 Approve the underwriting of the annual running cost deficit of the gym for the first four years amounting to £160k in total from within Environmental Services revenue budgets.
- 2.3 Approve £57k corporate budget allocation for the Library running costs from 2008/9.
- 2.4 Approve the commencement of the capital scheme as soon as possible.

REASONS FOR RECOMMENDATIONS

- 3.1 Commitment has already been made to the project as part of the approved Corporate Plan 2007 -2010 as part of the Council's Corporate priorities.
- 3.2 Reinforces health and literacy strategies of the Council.
- 3.3 The proposed changes to the capital scheme requires a formal change to the approved Capital programme.
- 3.4 The additional revenue expenditure for both the gym and the library requires formal approval.



Springwood Leisure Centre and Library

SUPPORTING INFORMATION

- 1.1 Springwood Leisure Centre is the newest of the city's leisure facilities having been constructed in 1997. It comprises a four badminton court sports hall, two squash courts, a fitness suite providing 25 fitness stations, exercise studios, crèche and floodlit multi use games area which can be used for 5 aside football, tennis and netball. The facilities are good and well used with 180,000 people using the centre during 2006/07. This compares with 440,000 at Moorways and 350,000 at Queen's both of which have swimming pools.
- 1.2 On 13 September 2006 the Council approved that the Centre be extended to accommodate a new gym and that the space vacated by the existing gym should be converted into a Library at a total cost of £1.172m. The scheme has been included in the approved capital programme for 07/08 and the gym was to be funded from £1m self financing prudential borrowing paid for from additional membership fee income. The £1m was made up of £800k for the building of the extension plus £200k for the procurement of fitness equipment. In addition, the adaptation of the existing gym into a library would cost £60,000 with a further £112,000 for stocking and equipping the library.
- 1.3 Since approving the original scheme, further work has been carried out by our Architects in putting together an acceptable design for the gym within the constraints of a total build cost of £800k. However, the current estimate for this work has now risen to £890k with a total estimated capital project cost of £1.262m, made up of £1.09m for the gym and £172k for the library.
- 1.4 Also, the detailed architectural work has concluded that the size of the extension will only accommodate 65 fitness stations, and not 100 as first envisaged. The unsupported borrowing costs for the gym will cost £105k per annum.
- 1.5 The consultants report used as part of the original business case advised there was a shortage of 26 fitness stations in the city and that this demand could be met by extending the existing gym at Springwood Leisure Centre. They also advised that there would be a demand for a further 321 fitness stations by 2011 and 371 by 2020.
- 1.6 Our latest information now challenges these assumptions and it is therefore prudent for the funding of the new scheme to be met from slippage within the existing capital programme rather than from self-financing prudential borrowing paid for from anticipated additional membership fee income. This will remove the financial

affordability risk based on the ambitious new membership targets included in the original scheme.

- 1.7 Springwood currently has 323 members. Membership turnover in sports centres traditionally shows significant levels of annual change and Springwood is slightly higher than industry norms. During the last 12 months the Centre has lost 249 members and gained 240 new members resulting in an overall drop of 9 members. This equates to an attrition rate of 77% compared to the industry average of 70%.
- 1.8 The current business case and projected costing is based on an increase of 8 new members a month, month on month, and that this is achievable. It also predicts that a bigger gym with new equipment will reduce the attrition by almost 50% where 40 or so of the 80 members who would normally leave each year would be encouraged to retain their membership and stay.
- 1.9 When the new gym is built and operational, it is anticipated that new members will increase gradually over time at the rate of 8 new members a month. This will require additional employees and running costs for the new gym which will cause a projected revenue budget deficit of £72k in 2008/09, £53k in 2009/10, £33k in 2010/11 and reducing to £2k in 2011/12. This amounts to £160k over the four year period and will be met from within Environmental Services revenue budgets. It is estimated that a break-even position could be reached by the end of year 4 based on continual growth in membership numbers from the current 323 to around 700 by 31 March 2012.
- 1.10 Growth in membership numbers will be kept under constant monitoring and review in order to ensure the financial projected income targets are being met. A sustained increase in membership numbers of this magnitude carries with it a significant degree of risk and corrective action to reduce costs may have to be taken should these numbers not be realised.
- 1.11 The report also identifies that there would be additional revenue costs for the library of £65k per year. This was identified as a pressure in the 2007/8 budget process and an estimated part year cost of £8k was approved from a corporate allocation. The additional £57k for ongoing running costs for the library from 2008/09 going forward, will also funded through a corporate allocation and will be identified as a pressure in the 2008/11 budget strategy report scheduled for Cabinet on 31 July 2007.

OTHER OPTIONS

- 2.1 Do nothing: this would prevent the development and improvement of the centre.
- 2.2 Library only: this would not be cost effective and could not be substantiated in terms of capital and running costs.

For more information contact: Dave Pickering 01332 716401 e-mail dave.pickering@derby.gov.uk Background papers: Report of the Corporate Interim Director of Environmental Services
--

IMPLICATIONS

Financial

- 1.1 The key financial implications are confirmed in the main text of the report.
- 1.2 One-off advertising and launch costs estimated at £20,000 will be funded from sports and leisure revenue budgets.
- 1.3 It should be noted that after year 8 there will be a further funding pressure to replace the gym equipment at the end of its useful life.
- 1.4 The current cost of membership is £26 per month and no increase in this fee is proposed at this time.

Legal

- 2. Planning permission has been sought and granted.

Personnel

- 3. The Leisure Centre may have longer opening hours giving the change of further employment opportunities.

Equalities

- 4. None.

Corporate priorities

- 5. The scheme has been identified as a key strand in the Council's Corporate Plan within the 'helping us all to be healthy, active and independent'.