

Report to Safer Neighbourhoods and Active Communities Scrutiny Board

12 September 2023

Subject:	Haden Hill Leisure Centre Rebuild Options – Levelling Up Fund (LUF)
Director:	Director for Borough Economy Alice Davey
Contact Officer:	Assistant Director for Borough Economy Ben Percival ben_percival@sandwell.gov.uk

1 Recommendations



- 1.1 That the Board considers and comments upon from the three presented options for the rebuild of Haden Hill Leisure Centre within the financial envelope available.

2 Reasons for Recommendations

- 2.1 The opportunity to utilise the £20m LUF2 allocated funding to renew Haden Hill Leisure Centre will resolve the long-term future of this well used but ageing asset. Once renewed Sandwell will be in the position of not having a public swimming pool in its portfolio that is more than 10 years old.
- 2.2 The recent Sport England Facilities Planning Model assessment of swimming pool provision in Sandwell confirmed that with the continuation of provision at Haden Hill Leisure Centre, the Borough will have sufficient swimming pool supply to meet population demand inclusive of projected housing growth.
- 2.3 Construction inflation means that the original LUF2 scheme for Haden Hill Leisure Centre cannot be delivered within the original funding envelope. The three schemes developed present members with a range of options to progress the substantial renewal of leisure provision at Haden Hill Leisure Centre within the financial envelope available.

3 How does this deliver objectives of the Corporate Plan?



	<p>People Live Well and Age Well The replacement of Haden Hill Leisure Centre in Rowley Regis will ensure the long-term provision of a sustainable leisure off for the local community, support residents to become and remain physically active.</p>
	<p>A Strong and Inclusive Economy The replacement of Haden Hill Leisure Centre in Rowley Regis will provide opportunities for local spend and job creation.</p>

4 Context and Key Issues

4.1 Background of Haden Hill Leisure Centre

The current Haden Hill Leisure Centre is 47 years old, having opened to the public in 1976. The Centre is managed as a part of the Sandwell Leisure Trust portfolio of facilities currently has the following facility mix:

- 25m x 10m (5 lane) swimming pool
- 20m x 7.5m swimming pool
- Sauna and steam
- 40 station gym
- 1 x 476sqm dance studio
- 1 x 132sqm dance studio
- 31 station group cycling studio
- 1 x squash court
- 6 court sports hall
- 173 space car park

4.2 Of the facilities with swimming pools in the Borough, Haden Hill Leisure Centre has historically been the most revenue efficient in Sandwell Leisure Trust's (SLT) portfolio. The net operating costs of the facilities with swimming pools (inclusive of apportionment of head-office costs) are:

- Haden Hill Leisure Centre - £191k
- Portway Lifestyle Centre - £625k
- Tipton Leisure Centre - £585k
- Wednesbury Leisure Centre - £435k

4.3 The centre has benefited from several enhancements including the creation of a large dance studio and spinning studio which are the basis of a well-used class programme. The Centre is based in a more affluent demographic of Sandwell and attracts a significant amount of usage from Halesowen and the wider Dudley Borough.

4.4 The current centre is awkwardly configured, over three floors with lots of stairs and corridors. Not only is this inefficient (at 4,865m² Haden Hill Leisure Centre is large for the facilities it contains) but the layout creates disability access issues and a less-than welcoming environment.



- 4.5 Whilst there has been investment into the site, the building is still aging. A condition survey of the building was undertaken by Strategic Leisure in 2015 which gave it an Average 'Quality Audit Score' with a Moderate 'Need for Investment'.
- 4.6 In addition to the £191k operating deficit, an assessment of the maintenance costs (borne by Sandwell Council as landlord) has identified:
- £574k expenditure in the last 5 years
 - £400k urgent works required in the next 2 years
 - £883k works required in 2-5 years
 - £319k works required in 5-10 years
- 4.7 An emergency closure of the pools was required in March 2023 following the collapse of an area of the suspended ceiling. The pools have remained closed since whilst repair options have been investigated.
- 4.8 An option was explored to suspend a mesh / net over the pool to catch further falling debris and allow the pools to re-open on a temporary basis. This would reduce the risk of injury from large debris striking staff and swimmers below. The cost of this repair was estimated as £78k and there were several significant risks associated with this option such as small amounts of debris would still pass through the mesh. Chemical analysis of the debris has indicated that the components are not considered "hazardous substances". However, recommended first-aid treatment is specified for contact with the skin, eyes or mouth. The decision was therefore taken by the Cabinet Member for Leisure and Tourism (6 July 2023) to not proceed with the temporary repair and bring forward the pool closure in preparation for the LUF2 project.
- 4.9 There is a requirement to replace the facility to ensure the long-term sustainability of sport and leisure provision in Rowley Regis. Failure to replace this facility would compromise the Council's ability to meet the demand for sport and leisure facilities in the Rowley Regis area, especially in terms of swimming pool and sports hall provision.
- 4.10 Successful Bid to LUF and approvals
At the cabinet meeting on 22 June 2022, the recommendation to submit a bid to LUF for a replacement for Haden Hill Leisure Centre was approved. Due to the time constraints associated with the LUF process, Mott MacDonald were engaged to develop the project and application.
- 4.11 The proposed facility mix as submitted to LUF included;
- Main 6 lane pool (25 x 12.5m)
 - Learner pool (13 x 10m)
 - Wet change village
 - Sports hall (4 court)
 - Gym (100 station)
 - Spin studio (27 station)
 - Dance studios (x2)
 - Sauna and Steam Room
 - Dry change
 - Reception/office



- Café

4.12 The LUF2 application assessed the capital project cost at **£23.7m** to be funded as follows:

- £20,000,000 LUF
- £2,000,000 SMBC
- £1,700,000 Sport England – speculative application

4.13 On 19 January 2023, the Council received notification that the bid to LUF to secure £20m of funding to build a new facility at Haden Hill had been successful.

4.14 At the Cabinet meeting on 15 March 2023, the recommendations for the Director of Borough Economy to have authorisation to formally accept the grant awarded, and for the Director of Regeneration and Growth to procure and appoint architects via an industry frame work and to incur necessary expenditure on designing the scheme were approved.

4.15 Funding & timescale pressures

Following the successful LUF2 funding award the Council’s Urban Design and Building Services team (UBDS) reassessed the project costs, conscious of high inflation in the construction market. The revised project estimate was **£30m** (total project cost, inclusive of fees etc.).

4.16 Roberts Limbrick Architects has been engaged by the Council to take the project to initial concept design. Following an initial meeting on 18 April 2023, officers have developed options to manage the project within the available budget. Further options discounted include:

- Complete rebuild to deliver the original project submitted to LUF. This has been discounted due to the requirement to remain within the budget envelope and not to incur additional borrowing to enhance the leisure facilities in this area of the Borough, and also to contain the risk of income variation in leisure services over the period required to service the borrowing.
- Complete refurbishment with minimal rebuild. This has been discounted due to the risks of future asset failure in relation to the wet-side (pool) facilities.

3 options are under consideration:

1. Part rebuild and part refurbishment – rebuild wet facilities, refurbish the dry
2. Part rebuild and part refurbishment – rebuild dry facilities, refurbish the wet
3. Demolish and rebuild to a reduced scope to fit the available funding

4.17 The “Project Inception” meeting was held with representatives of LUF on 4 May 2023. Officers outlined the cost pressure and options to be explored. LUF acknowledged these pressures and reflected that they were common to many LUF funded projects. LUF were supportive of the approach – as long as project outcomes are not adversely impacted. Any substantive changes to the project will need to be approved by LUF via



a Project Adjustment Request Form – these forms must also receive the approval of the constituency MP.

- 4.18 During the Project Inception meeting, LUF officers identified that all LUF funds must be spent by the **end of March 2025**. This is understood to have been a requirement of the LUF2 funding and the Haden Hill LUF2 application – prepared by Mott MacDonald on behalf of the Council – did include a programme and cost plan that achieved £20m spend by the end of March 2025.
- 4.19 The current project programme options would not see that level of expenditure achieved until the end of 2025/26, a full year after the LUF2 deadline. There are several reasons for this:
- The programme presented in the original LUF2 bid was very ambitious and not validated by Urban Design and Building Services (UDBS) – the application window was extremely tight and coincided with Commonwealth Games delivery.
 - The programme included in the LUF2 application had a project start in September 2022; delays in funding decisions and LUF administration meant the project inception meeting did not take place until May 2023 – a loss of 8 months.
 - The funding pressure requires a significant options appraisal to get the project scope and feasibility confirmed (RIBA stage 1) – an additional 4 months.
- 4.20 Attempting to reduce the programme to fit the deadline is likely unachievable – the site works alone are estimated as 104 weeks (26 weeks demolition, 78 weeks construction). Attempting to truncate approvals, surveys and procurement would present very substantial risk to both the project and the Council.
- 4.21 Stakeholder management / LUF change process
Officers held a follow-up meeting with the LUF Black Country Area Lead in May and articulated the programme and financial pressures with the request to better understand how absolute the March 2025 deadline is.
- 4.23 Following discussion with the national LUF Team, the Black Country Area Lead confirmed that there were other LUF2 projects in a similar position in terms of both finance and programme. It was agreed that once officers had a better understanding of a chosen revised option for the scheme, a Project Adjustment Request Form would require completion and be approved by the constituency MP before submission.
- 4.24 The Assistant Director for Borough Economy met with James Morris MP on 2 June, 17 July and 29 August 2023 to brief on the financial and timescale issues as the constituency MP is required to formally sign off all project adjustment requests. James Morris was supportive of the approach officers were taking.

5 Development of the 3 options

The 3 options under consideration to manage the project within the available budget have been developed by a design team comprising Council officers, Roberts Limbrick



Architects, Sport England and Council appointed technical design support consultants. The 3 options are described below and presented in more detail in Appendix 1.

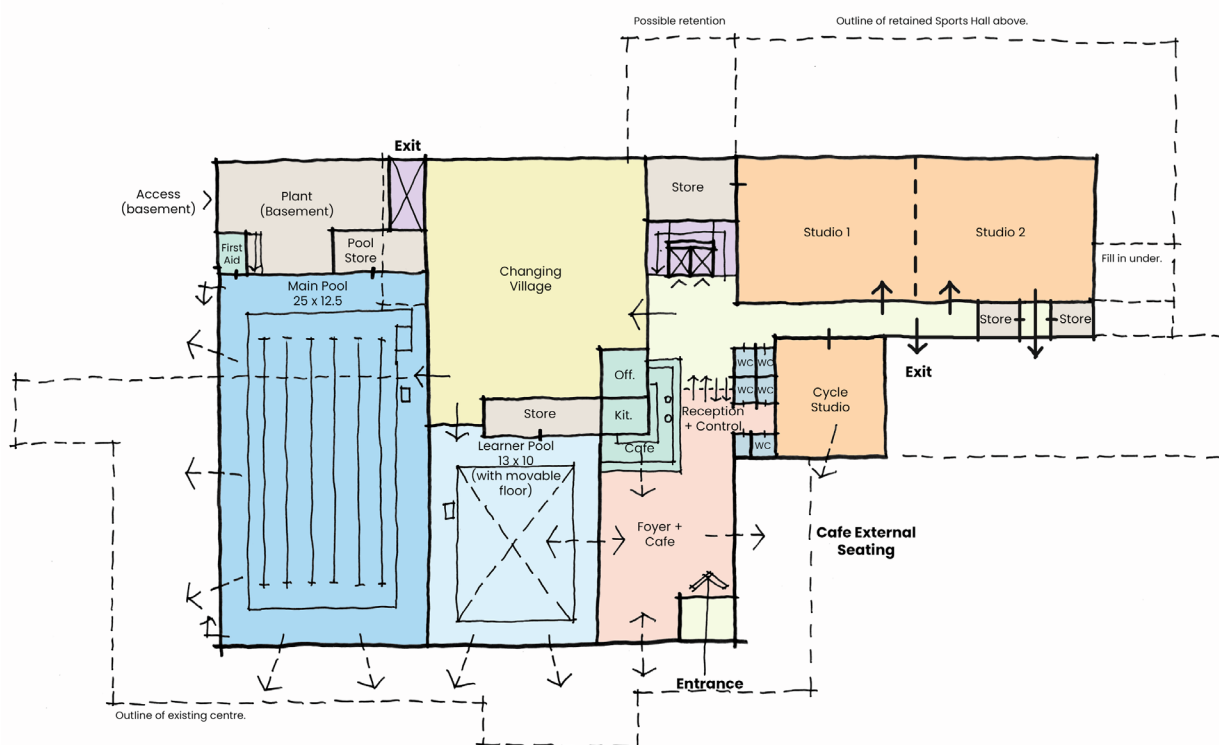
5.1 Option 1 Part rebuild and part refurbishment – rebuild wet facilities, refurbish the dry

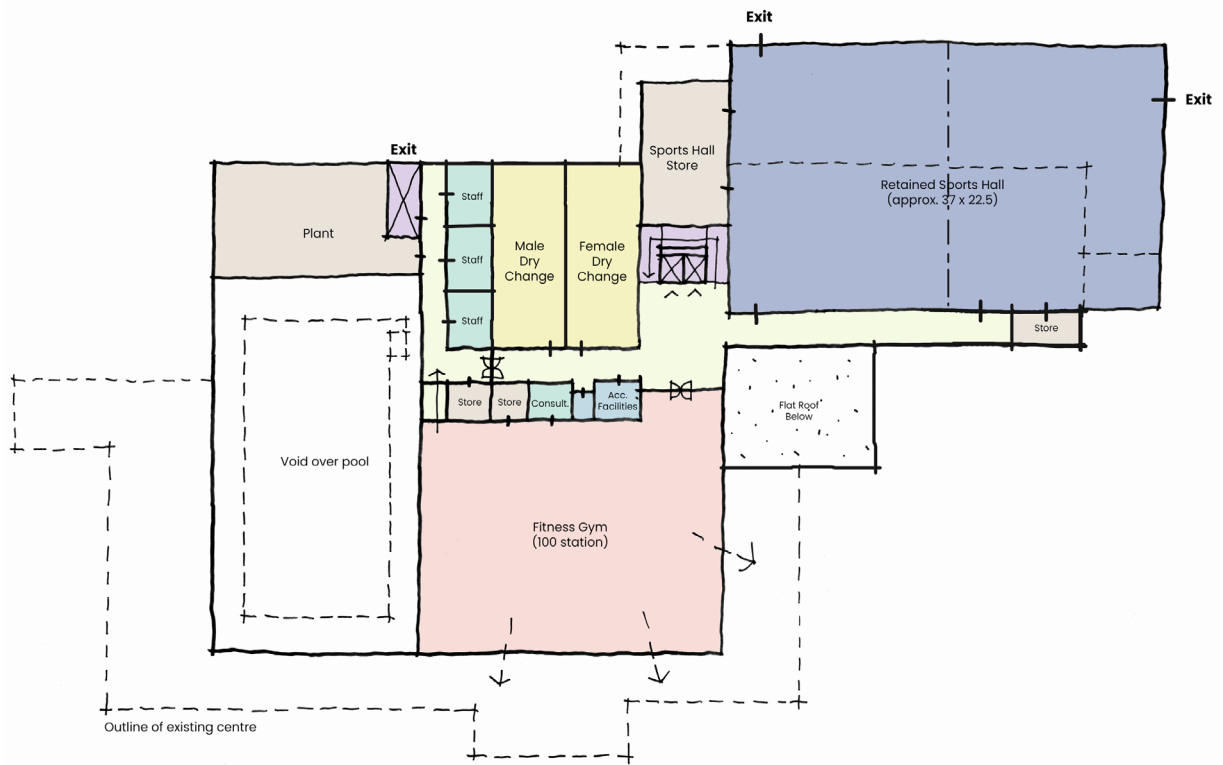
This option achieves the replacement of the pool facilities and also provides a new 100-station fitness gym, new changing facilities plus a reconfigured reception with café. The studios and sports hall will be retained and refurbished; the sauna and steam and squash court will be lost.

5.1.1 This option has the benefit of new pool provision – where asset liability is greatest and quality of provision most sensitive. It also provides a substantially larger fitness gym – critical to driving the revenue model. The retention of the dry facilities presents less risk, although the age of the facilities still means the refurbishment costs are substantial.

5.1.2 This option is recommended as it only marginally reduces the site facilities mix from that proposed within the original LUF bid submission (no sauna or steam room) and it also reduces the risks around the aged wet (pool) facilities through the replacement of these in full while providing a beneficial revenue position.

The outline plans for this option are presented below.



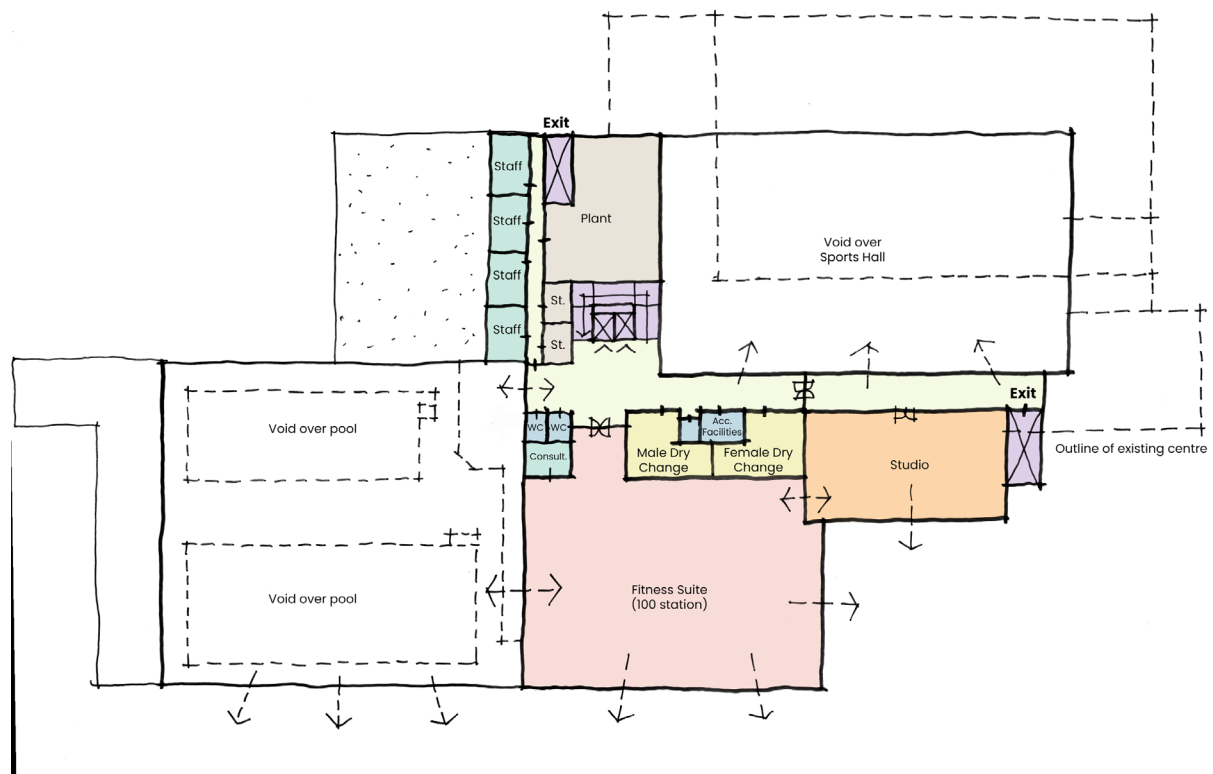
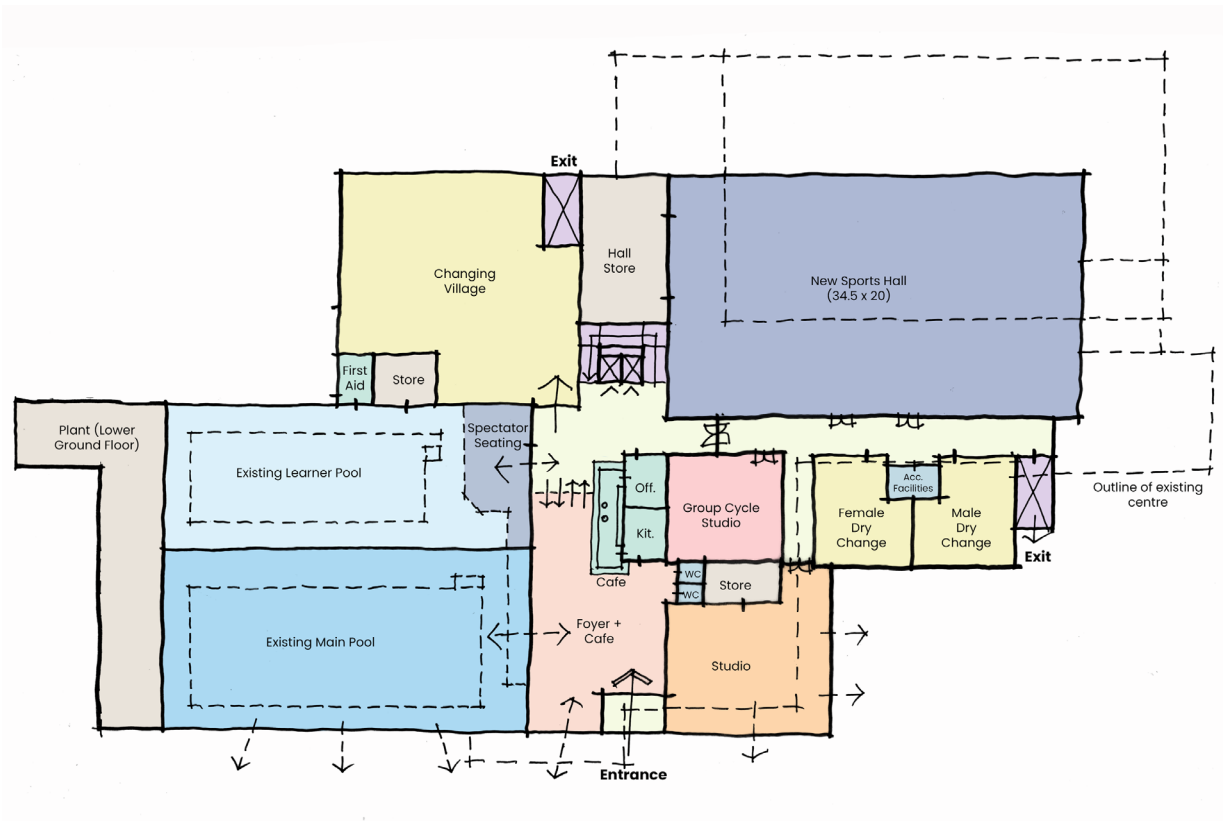


5.2 Option 2: Part rebuild and part refurbishment – rebuild dry facilities, refurbish the wet

This option would effectively see a new centre built with just the existing swimming pools retained and refurbished. The layout of the centre would also be substantially improved, with less corridor space and an easier customer flow.

- 5.2.1 The key concern is the retention of the existing swimming pools. If as the refurbishment works commenced on the pools, this uncovered significant defects to the pool, this could impact on the ability to deliver elements of the new build scheme.
- 5.2.2 This option is not recommended as the risk of aged wet (pool) facilities is retained with this option presenting the prospect of future unforeseen closures and increasingly high maintenance risks.





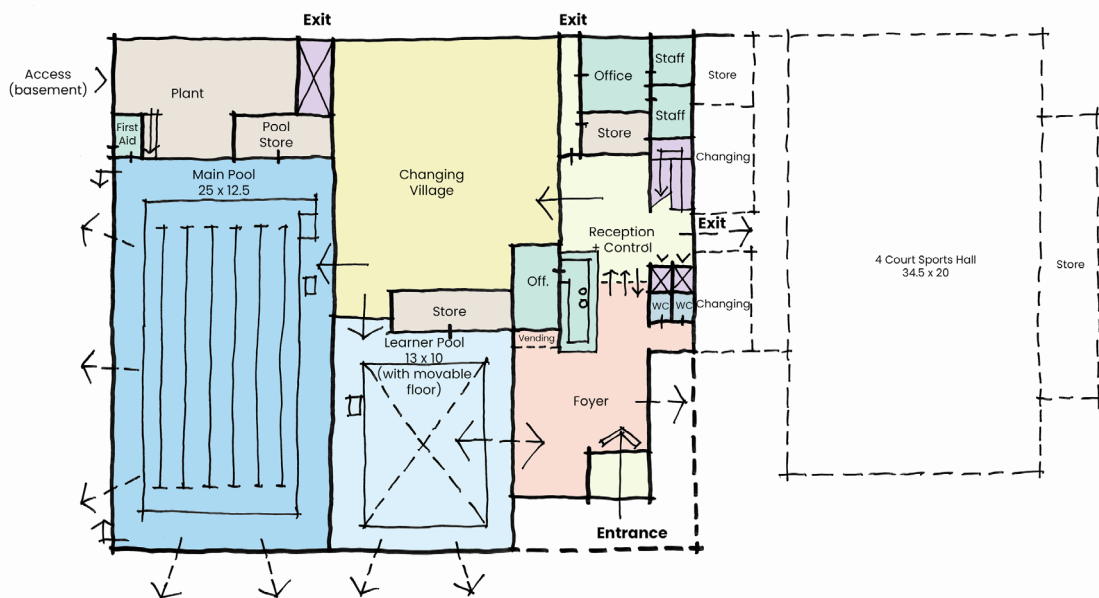
5.3 Option 3: New build to a reduced scope

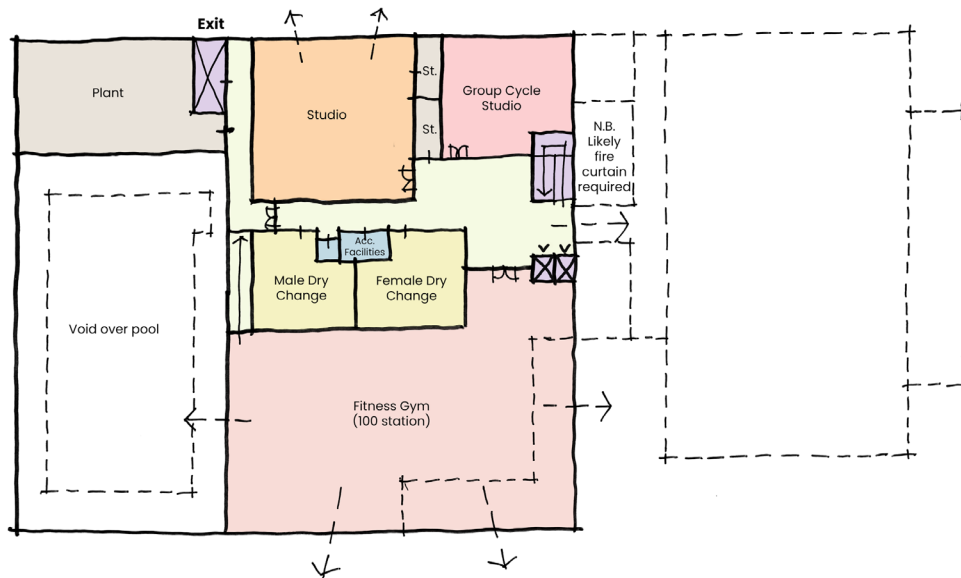


This option seeks to deliver a new-build project within the available funding. The priority (based on supporting resident physical activity) would be to rebuild the swimming provision, which would also allow the development of a large (100 station) fitness gym plus studio provision on the first floor.

5.3.1 This option would outturn a brand-new facility, but at a significantly smaller scope than both the current HHLC and the proposed LUF project. The lost facilities (sports hall, reduced studio provision) could lead to a reduction in footfall when compared with the current HHLC.

5.3.2 This option is not recommended as the reduction in facilities from the submission made to LUF is not proportionate to the reduced capital and revenue impact, the public interests would be compromised with the reduced facilities remaining.





6 Financial Implications - Capital Funding

- 6.1 As outlined £20m has been awarded from the Levelling Up Fund Round 2. As part of the application, the Council agreed to provide £2m of match funding. There were also discussions with Sport England regarding funding support, with a figure of £1.7m discussed. Due to the timescale for LUF2 submission, it was not possible to confirm the Sport England contribution.
- 6.2 The £1.7m funding from Sport England remains unsecured. Sport England has transitional capital funding available in 2023/24 to support projects. This includes an opportunity to consider LUF2 projects which have a sport and physical activity element and are aligned with the principles of their [Future of Public Leisure Report](#).
- 6.3 To access this funding, Local Authorities are required to submit an application with the timescale for this being determined by when the Local Authority is in a position to meet the funding criteria. This is not an open fund; Sport England will invite a local authority to apply where they are already engaged with the project and know it can meet the criteria for investment. Once the application been submitted, Sport England will then decide on whether to support the project with any capital investment following an internal assessment and decision-making process.
- 6.4 Sport England has remained engaged throughout the project development, including being represented at design team meetings. Once a preferred option is identified an application to Sport England will be prepared for submission.



6.5 Based on the initial assessment of capital costs the options can be summarised as follows:

- Option 1 – within allocated budget (assuming Sport England funding secured)
- Option 2 – beyond allocated budget – if this option is preferred, additional resources would be required or the changing of project scope to decrease the amount of new-build and increase the amount of refurbishment would be required to bring within the allocated budget.
- Option 3 – likely to be within budget with only the upper estimate of costs beyond the allocated budget.

6.6 As outlined below, all of the rebuild options are projected to deliver a revenue saving when compared to the current operation. Risk factors relating to leisure income still need to be considered:

- The revenue savings is feasible, however – as has been evidenced in recent years – leisure centre trading performance is vulnerable to external market fluctuations. As the sensitivity analysis indicates, it would only take a 10% swing in performance (10% increased spend, 10% reduced income) for the net position to be altered.
- In revenue terms Option 1 is the recommended option – which can be delivered within the current funding envelope, without the requirement for additional borrowing.
- The Council’s spend on Leisure Centres is high as identified by CiPFA benchmarking analysis. Any surpluses generated from the HHLC project would need to be considered in this context.

6.7 Revenue Funding

Outline business cases have been prepared for all the options. They are presented in Appendix 2 and summarised in table 1 below:

Table 1 – Revenue Implications

	Total Income	Total Expenditure	Net Surplus/ (Deficit)	Saving
Current	£1,660,318	£1,851,671	-£191,353	
Option 1	£2,430,500	£2,133,236	£297,264	£488,617
Option 2	£2,205,519	£2,143,882	£61,637	£252,990
Option 3	£1,974,150	£1,875,910	£98,240	£289,593

6.8 As has been evidenced in recent years, leisure centres’ revenue performance can be extremely volatile.

- Trading income is inevitably susceptible to market fluctuations. Whilst post-Covid industry recovery has been encouraging, income and usage patterns have not fully



returned to pre-Covid levels and there remains some uncertainty about what a long-term post-Covid “normal” will look like.

- Leisure expenditure is principally staffing and utility costs. With substantial pay awards and ongoing volatility in energy markets, ongoing spending pressures are likely.

6.9 A sensitivity analysis of the revenue projections has indicated that 5% and 10% swings in performance will have profound impacts on the net revenue cost of HHLC and any potential revenue saving. This is summarised in table 2 below.

Table 2 – Revenue sensitivity analysis

	10% increase costs, 10% reduction income	5% increase costs, 5% reduction income	5% decrease costs, 5% increase income	10% decrease costs, 10% increase income
Option 1	-350,463	69,077	525,450	753,637
Option 2	-564,656	-155,833	279,107	496,577
Option 3	-478,120	-94,263	290,743	483,246

6.10 The Council’s current spend on leisure centre provision is high. The LG Futures benchmarking report on 2021/22 expenditure indicated that the Council’s per-resident spend on recreation and sport was £15.91 per resident, 56.8% higher than the average of Sandwell’s statistical neighbours (£10.14).

6.11 As the Council seeks to set a balanced budget in coming years it will be necessary to focus on high cost discretionary services such as sport and leisure. The potential to use the improved revenue performance from the new HHLC to reduce this high spend is substantial.

7 Risks

7.1 A high level risk assessment of the 3 options has been undertaken to consider both construction risk and project risk. Four principal risks are common to all the options:

- Procurement** – whilst the project costs have been reassessed by the Council’s Principal Lead Quantity Surveyor, given the level of construction inflation, there is a risk that the schemes when procured may exceed the available funding. This risk may be slightly lower for options 1-2 as the level of refurbishment could be flexed to meet the project budget.
- MP Approval** – under the LUF scheme, and Project Adjustment Request (PAR) will need to be signed off by the constituency MP (James Morris). All 5 schemes will need to submit a PAR to change the project scope and timeline. James Morris has been kept apprised of the situation and remains supportive of the project.



- **LUF Approval** – all 3 schemes will require approval of a PAR to change scope and timeline. It is understood that many LUF projects are in similar situations to the HHLC project with both cost and timescale pressures and LUF have been willing to be flexible in both regards. However, until the Council have agreed a preferred option of the 3 presented and this has been approved by the MP, a formal approach cannot be made to LUF to close this risk.
- **Sport England Funding** – as outlined in 6.2, the £1.7m Sport England remains unsecured. Sport England are assembling a funding scheme to specifically support the significant number of sport-related LUF2 projects and Sport England Officers remain supportive of the project and encouraging regarding funding. However there remains a funding application process to secure these funds.

7.2 The risks – plus scoring relating to the 3 options are summarised in table 3 below.

Table 3 – Risk Summary

	Option 1		Option 2		Option 3	
	Rebuild wet, refurbish dry		Rebuild dry, refurbish wet		Reduced scope new build	
	Impact	Probability	Impact	Probability	Impact	Probability
Construction risk	3	2	3	3	2	2
	The risk of this option again, reflects the high degree of refurbishment. The risk probability is lower than option 3 due to the complete rebuild of the swimming pools - the highest liability assets.		The risk of this option again, reflects the high degree of refurbishment. The risk probability is higher than option 2 due to the retention of the 1976 swimming pools - the highest liability assets.		The risk of this option is lower due to the greater simplicity and clarity of 100% rebuild. The risk is principally due to the demolition and sloping site.	
	Impact	Probability	Impact	Probability	Impact	Probability
Project risk	4	2	4	2	4	3
	Requires LUF and MP approval for change of project scope and extension (12mth) of spend deadline.		Requires LUF and MP approval for change of project scope and extension (12mth) of spend deadline.		Requires LUF and MP approval for change of project scope and extension (12mth) of spend deadline. Risk heightened as project outputs (throughput) likely to be lower due to smaller facility.	



8 Implications

Resources:	<p>The scheme commits the Council to 10% partnership funding, with £2m currently agreed.</p> <p>The facility will close for a period of up to 2 years whilst demolition and building work takes place.</p> <p>There may be implications on staff who will need to be redeployed to other leisure sites within the portfolio whilst the facility is closed.</p>
Legal and Governance:	<p>The Council is committed to the grant terms and conditions as set out by DLUHC.</p> <p>Planning permission will be required for any demolition and construction works.</p>
Risk:	<p>There will be a loss of service provision once the facility closes during which time customers could seek alternative provision outside of Sandwell. Strategies will be developed to ensure the customer base returns and to signpost customers to other Sandwell facilities.</p> <p>The need to approve Project Adjustment Requests with LUF and have these signed off by the constituency MP, presents a further risk to the project.</p> <p>Risks are summarised in section 7 of the report. The preferred option once selected will be subject to a full risk review.</p>
Equality:	<p>There are no equality implications to this report</p>
Health and Wellbeing:	<p>A new or refurbished sustainable leisure facility will ensure the long-term provision of Sport and Physical Activity opportunities in Sandwell. This will also support the financial sustainability of the Council's leisure service overall, ensuring efficient and effective operation.</p>
Social Value:	<p>There will be opportunities for local employment and procurement of local traders.</p> <p>Improved leisure provision will also support addressing local health inequalities supporting the reduction of the burden on local health services.</p>



Climate Change:	A new, modern building, either in full or part shall provide improved efficiencies in relation to a reduction in carbon footprint.
Corporate Parenting:	There are no corporate parenting implications to this report.

9 Appendices

Appendix 1: Options Summary

Appendix 2: Business Case for all Options

10 Background Papers

N/A



Appendix 1 – Options Summary

	Option 1		Option 2		Option 3	
	Rebuild wet, refurbish dry		Rebuild dry, refurbish wet		Reduced scope new build	
	Low	High	Low	High	Low	High
Capital Cost (range)	£20,568,435	£22,897,805	£26,514,098	£29,264,788	£22,337,277	£24,205,419
Estimated revenue saving	£488,617		£252,990		£289,593	
Performance 10% worse	-£350,463		-£564,656		-£478,120	
Performance 5% worse	£69,077		-£155,833		-£94,263	
Performance 5% improved	£525,450		£279,107		£290,743	
Performance 10% worse	£753,637		£496,577		£483,246	
Facilities	New	Refurb	New	Refurb	New	Refurb
Area (m ²)	2,428	1,326	3,379	1,054	3,146	
Main 6 lane pool (25 x 12.5m)	✓				✓	
Main 5 lane pool (25 x 10m)				✓		
Learner pool (13 x 10m)	✓				✓	
Learner pool (20m x 7.5m)				✓		
Wet change village	✓			✓	✓	
Sports hall (4 court)			✓			
Sports hall (6 court)		✓				
Gym (100 station)	✓		✓		✓	
Gym (40 station)						
Spin studio		✓	✓		✓	
Dance studios (x2)		✓	✓			
Dance studio (x1)					✓	
Sauna and Steam Room						
Squash Court						
Dry change	✓		✓			
Reception/office	✓		✓			
Café	✓		✓			
Key facility considerations	No sauna & steam		Old swimming pools Smaller sports hall than 1 & 2		No sports hall Only 1 studio No café No sauna & steam	
	Impact	Probability	Impact	Probability	Impact	Probability
Construction risk	3	2	3	3	2	2
	The risk of this option again reflects the high degree of refurbishment. The risk probability is lower than option 3 due to the complete rebuild of the swimming pools - the highest liability assets.		The risk of this option again reflects the high degree of refurbishment. The risk probability is higher than option 2 due to the retention of the 1976 swimming pools - the highest liability assets.		The risk of this option is lower due to the greater simplicity and clarity of 100% rebuild. The risk is principally due to the demolition and sloping site.	
	Impact	Probability	Impact	Probability	Impact	Probability
Project risk	4	2	4	2	4	3
	Requires LUF and MP approval for change of project scope and extension (12mth) of spend deadline.		Requires LUF and MP approval for change of project scope and extension (12mth) of spend deadline.		Requires LUF and MP approval for change of project scope and extension (12mth) of spend deadline. Risk heightened as project outputs (throughput) likely to be lower due to smaller facility.	
Delivered within LUF timescale	No		No		No	



Appendix 2 – Business Case

Item				
Income:	Base	Option 1	Option 2	Option 3
Fitness Membership	775,109	1,201,419	1,162,663	1,007,641
Fitness Casual	71,707	82,463	82,463	71,707
Swimming	613,783	920,675	736,540	859,297
Food & Beverage	41,806	62,709	60,619	
Resale	22,816	35,365	35,365	35,365
Equipment Hire	365	438	438	
Weighing Machines	136	140	140	140
Lockers	3,797			
Hall Hire	105,415	121,227	121,227	
Squash	7,496			
Sauna Steam Room	12,375			
Childrens Activities	5,513	6,064	6,064	
Total income	1,660,318	2,430,500	2,205,519	1,974,150
Expenditure:				
Staffing	1,097,473	1,316,968	1,316,968	1,152,347
Utilities	212,918	234,210	244,856	191,626
Premises	33,520	45,252	45,252	40,224
Supplies	32,344	56,602	56,602	25,875
Equipment (other expenditure)	95,779	100,568	100,568	86,201
Central Management (central costs)	31,901	31,901	31,901	31,901
Operations (central costs)	36,747	36,747	36,747	36,747
Marketing (central costs)	99,236	99,236	99,236	99,236
Finance (central costs)	164,425	164,425	164,425	164,425
HR (central costs)	47,328	47,328	47,328	47,328
Total Operating Costs	1,851,671	2,133,236	2,143,882	1,875,910
Net Surplus/(Deficit)	-191,353	297,264	61,637	98,240
Saving		488,617	252,990	289,593
Sensitivity analysis on saving				
10% increase costs, 10% reduction income		-350,463	-564,656	-478,120
5% increase costs, 5% reduction income		69,077	-155,833	-94,263
5% decrease costs, 5% increase income		525,450	279,107	290,743
10% decrease costs, 10% increase income		753,637	496,577	483,246

