



Northumberland County Council

Replacement for Berwick Leisure Centre

Business Case, August 2018

Overview

1. There has been discussion for a number of years about the potential for a replacement Leisure Centre facility in Berwick. More recently an option has emerged to bring together the development of the leisure centre with the development of the new Berwick Infirmary Hospital. This paper sets out the current position and recommendations to move this scheme forward.
2. In May 2018, Arch were approached to undertake some site feasibility studies and outline costing for potential options within the Berwick area. Arch were asked to look at both a separate Leisure Centre new build and a joint scheme with the NHS to include the replacement of Berwick Hospital within the same site. The options appraisal put together by Arch is attached to this report for information. Some elements of that report have been lifted into this paper for context.

The need for a new leisure centre facility

3. The key issue when reviewing the need to replace the leisure facilities in Berwick is that they are currently operating from a failing asset.
4. The Swan Centre was built in the 1990s and has been refurbished /added to and extended several times and has been managed by different entities of privatisation. Membership has steadily declined as the asset has declined. Within the context of the study commissioned by Active into the Strategy for Sports Facilities (May 2018) it is the worst performing leisure asset within the County Portfolio.
5. Customer feedback in the national benchmark scoring system defines it as declining to the point that membership has shrunk so much that the revenues cannot sustain the centre and it makes significant losses. The most recent condition survey places a requirement on the Council to spend circa £2.2m minimum essential works over the next 5 years and circa £900,000 backlog maintenance immediate spend.
6. It is recognised that the condition of the buildings poses significant problems and is the least energy efficient of all County centres. Coupled with the poor-quality extensions to the building and a lack of routine maintenance, the deteriorating environment has had a significant impact on the customer offer and experience. This was evident at the public consultation, especially in relation to recent increased membership fees.

7. That said, the community appear wedded to the Swan Centre site and not a relocation option as was reflected in the Statement of Community Involvement. The site was considered to be at the centre of the community and within walking distance of populous / growth in housing areas with good public transport. The community (and tourists) are currently deprived of a high-quality offer, particularly on bad weather days for a destination for the family.
8. The Table below provides a summary of the current situation with the Swan Centre by comparison to Ashington Leisure Centre as a benchmark...

	Berwick	Ashington
Customers	600	2600
Customer Score Rating compared to national average of 33	11	43
Annual Cost / Expenditure	£840,000 (£231,000 on utilities)	£1,280,000 (£210,000 on utilities)
Annual Revenue	£600,000	£1,200,000 (excluding revenue savings with integrated library)
Backlog Maintenance Liability	£888,000 immediate attention and £500,000 backlog over the next 3 years	Minimal / Zero
Viability / Liability	£104,000 minimum loss year 1 and further losses of £340,000, £390,000 and £500,000 projected in the next 3 years. Total loss projection over next 3 years is c.£2.2m.	£83,000 nominal with breakeven year 2 and £100,000 profit year 3 - notably the spa does not generate significant income. Profit target in next 3 years.

9. It is clear that the potential of the facility is not being maximised both in terms of the provision to the local community and its support to the tourism offer in that part of the County.
10. The vision for the new build project would be:
- To deliver a high quality community and leisure facility that meets the needs of those who live, work in Berwick and surrounding areas, and those who are visitors to the area.
 - Providing access to services and information.
 - Encouraging participation in healthy activities and enrichment opportunities, including sport, leisure, swimming, skills development and reading.
 - To provide a cost effective provision capable of being modelled into profit generating facility by Active Northumberland.

- To look at options for integration with other services to maximise the use of the centre.
- A contribution to the physical regeneration of Berwick providing the public with opportunities for improvements in health, wellbeing, and access to services.

Site options Joint Development

11. When exploring the possibility of a joint development with Berwick Infirmary 5 potential sites were put forward as options. These were:
 - a. **Swan Centre (current Leisure site)**
 - b. **Berwick Infirmary**
 - c. **Seton Hall**
 - d. **Roberts Lodge**
 - e. **Newfields playing area**
12. Following a detailed review, the conclusion is that the only sensible option is a new build on the current Swan Centre site, which is in keeping with the community preference for a new leisure facility. This could accommodate the construction of the new leisure centre whilst maintaining existing provision, and allows for the hospital new build as well if that ended up being an attractive joint option for the Local Authority and the Trust.
13. This site is already owned by NCC, but planning permission would still be required for a new build.
14. A joint development built on the Swan Centre site is likely to extend the programme delivery of the leisure centre by 9 months if a joint planning application is dependent upon the outcome of the CCG consultation process. Separate planning applications could provide a phased approach to allow the leisure centre to be delivered more quickly within the 36 months, with the hospital to follow. This would require a hybrid planning application and the latter would be the favoured option if this went ahead, with the leisure centre being developed first.
15. Roberts Lodge and Newfields are potentially big enough to accommodate a joint development, but both have issues linked to those sites that would either create problems with the development (e.g. village green status in the case of Newfields) or add significant cost to the project. The other sites were too small to support a joint development.
16. Northumberland CCG, supported by Northumbria Healthcare Trust, have recently concluded an extensive engagement programme within the town. They sought views on the idea of a joint development and preferred sites.
17. Results from the engagement exercise were mixed with some people supportive of a joint development and others less so. The engagement process consisted of several

drop in sessions and one public meeting. The majority of attendees at the public meeting were against an integrated development, though specific reasons relating to not wanting a joint development were difficult to ascertain. However, at the drop in sessions where more detailed discussions took place about the benefits, people were more favourable to the idea.

Benefits of an integrated development

18. Physical activity has numerous benefits to people's health and wellbeing at all ages. By increasing physical activity, we can reduce future risk of falls and hip fractures, and of developing dementia, heart disease, type 2 diabetes and breast and colon cancer. Physical activity also reduces depression and anxiety, improves educational attainment in children, and promotes wellbeing and social interaction (so reducing loneliness and social isolation).
19. By co-locating a community hospital with a sports and leisure centre, the community may be more likely to use the sport and leisure facilities and so increase their level of physical activity and benefit their health. Not only will it make exercise more accessible and convenient, but doctors, nurses and therapists will be able to link patients more effectively into exercise that can benefit their patients' health. Clinical staff themselves may be more likely to use the facilities; healthier, happier hospital staff provides better care for their patients.
20. This is not the first time such co-location has been tried. In Sheffield, outpatient clinics have been specifically located within sports and leisure centres so as to provide "a seamless transition from specialist care clinics into exercise at the same venue... [and improve] patient related outcomes." Similar projects to combine health and exercise have taken place in Kent and Bromley by Bow.

The leisure centre offer...

21. The basic components of the New Leisure Centre as set out in the Arch report have been based on the Faulkner Brown study commissioned by Arch / NCC in 2017. This was based on an outline of a facility as follows:
 - 5,000 sqm GIA (5,000 sqm footprint)
 - Wet leisure (no spa)
 - Dry leisure
 - External sport provision - one full size grass pitch and two Multi Use Games artificial pitches (note – the combined development on the Swan Centre will require the external sport provision is required to be located on another site).
 - Parking of c.100 bays
 - External works

- Site infrastructure

22. Arch's initial costing for a "leisure centre only" build on the above specification is £22.7m. This is a pre-tender cost estimate so should be handled with a degree of caution, but is based on robust benchmark information from various sources including The Building Cost Information Service (BICS) and Sport England reference costing so will be a reasonable basis for appraisal of the scheme.
23. The pre-tender cost estimate for building the leisure centre and the hospital together on this site is £53.2m and this could potentially present approximately £500k of savings on building the two separately. As the buildings will in reality be separate and sit side by side the cost savings are not as significant as if integration was within the same building. This was the case with the community hospital and extra care facility in Haltwhistle whereby the hospital ward was built on top of the extra care facility.
24. Having regard to the type of provision in this potential joint venture and issues such noise pollution from the wet side of the leisure centre, the height needed for a sports hall, etc, it was felt that combining both facilities within a single building was not a feasible option.
25. There has been some discussion about the potential cost of the facility at this size when compared to the cost of Ashington Leisure Centre (iro £20m). Ashington has a gross area of 6,800sqm against 5,000sqm proposed initially for Berwick.
26. It needs to be recognised that the cost estimate is high level, prior to any design, site investigation and construction procurement. Generally, we would expect estimates at this point to be cautious and they include £1.4m of contingency and a provision of £3.3m for external works which is "pre survey" and could vary from the estimate. In addition, the Berwick option includes re-provision of the outdoor pitches at a cost of £1.15m. On top of all this there is build price inflation from the period that the Ashington contract was signed off to now, which could be as much as another 10% and also the location, with Berwick attracting higher cost rates for construction – in the order of a 15% increase.

A smaller leisure centre offer...

27. It is clear that the pricing above is significantly above the capital budget put aside for the leisure centre development currently in the capital program (£6m approved + £6m in the 5 year program still to be approved). There has been some further outline assessment of what could be achieved at smaller budget allocations. Those being £15m and £18m of total capital spend.
28. The response has been that circa £15m of capital spending would deliver around 3,500sqm of footprint for the facility compared to the 5,000sqm that had been in the earlier plans. £18m would deliver around 4,200sqm.
29. Attached with this report are three outline plans of the size and shape of potential offerings that could go into both the 5000sqm, 4,200sqm and the 3500sqm floor areas prepared by Faulkner Brown on behalf of the Council. These are not detailed plans of how the final facility will be configured, but give a feel for the type and size of facilities that could fit within the floor areas.

30. As a rough indication of what could be delivered for 3,500sqm of space based on Sport England benchmarking information...
- A 25m x 6 lane pool, plus fun pool for younger children
 - 1 multi-use sports hall suitable for 5 aside, badminton, etc.
 - A relatively small gym (roughly 50 stations and approximate size 10m x 10m)
 - 1 larger or 2 small/medium studios for exercise or other classes
 - Reception
 - Wet and dry changing facilities
 - Café facility
31. To give an idea of scale, a second sports hall would take up about 1,100-1,200sqm of additional footprint. The loss of space on the smaller development may well limit further options for a local offer to make the centre more attractive from a community and commercial perspective such as soft play for younger children, joint use facilities with other services, etc.
32. It should be noted that the costing for the smaller facilities does not include re-provision of the external pitches which may still be needed dependent on discussions with Sport England about provision in the area and other options which could be explored.
33. There has been discussion about issues such as demand from the local community for indoor bowls and this would clearly not fit into this smaller facility. That said, it is unlikely this option would be favoured from an economic perspective anyway by Active Northumberland due to difficulties in making that type of provision commercially viable.
34. The suggested option is to increase in the size of capital program budget to £18m to allow sufficient floor area to let the design and planning stage offer options on more than just a minimum leisure centre facility, which is all that would be achievable with the lower budget of £15m.

Active Northumberland

35. As this stage, the cost estimate and statements on the potential leisure offer within the new facility have been prepared with only very limited input from senior leadership at Active Northumberland. Active Northumberland will be the management partner for the facility once it is built.
36. In moving the scheme forward Active Northumberland would need a full involvement in designing the facility, reviewing the potential operating model options and fully modelling potential income streams from the blend of provision that may be offered from the new build.

37. It is agreed by all sides that Berwick is in quite a unique position as a leisure location due to its remoteness from other areas, demographic profile of the local population and the tourist agenda. A lot of work will need to go into the delivery model and the potential degree of flex in the leisure provision to make any options economically viable in the medium to long term.
38. This delivery model may well involve varying the provision from the centre between the tourist season over the summer and what is focused on during the winter months. The expertise of senior management in Active Northumberland will be critical in getting this balance right for the offer to the people of Berwick. In addition, Active will want to look at all other joint commercial opportunities for the site, e.g. café franchise or other options.
39. The Chief Executive of Active Northumberland has further pointed out that the construction costs and business case that will determine the long term operating costs for a new facility should be considered with caution when compared with Ashington Leisure Centre in this report. Berwick is a fundamentally different and more challenging market place in which to run a leisure facility commercially than Ashington. Therefore, in order to more precisely understand the operating costs of a new facility in Berwick, a detailed demand analysis is required based upon the exact design and specification of the facility and the demand that could be stimulated.
40. The existing Berwick Swan Centre wet side is a leisure pool design with significantly enhanced features and appeal compared to a conventional pool such as Ashington. The Swan Centre is designed to be a destination attraction appealing to a wider catchment area all year round and the tourist market that is seasonally prevalent in Berwick. The costs of replacing the Swan Centre with an equivalent leisure pool needs to be further considered and factored into the business case, for the wet side elements these costs are likely significantly higher than Ashington. A new facility will present a wide range of design and specification opportunities, each of which will determine the facilities capability to deliver distinct financial outputs and health / social outcomes.
41. Further work is needed to determine the outputs and outcomes required leading to a specific design and specification brief for the new facility. This is why full involvement of Active Northumberland in the design phase is critical to the success of this project. Another possible option is a full or part refurbishment of the current facility, although it is not clear that this would be significantly lower in cost than a new build and it is understood this is not the favoured position of the Council. Further work would be needed to explore this option in detail.
42. Active Northumberland has also had discussions with the neighbouring secondary school which, amongst other partnership working opportunities, has presented the option for the relocation of playing pitch users and future demand to the school site. This would be subject to the installation of a new synthetic turf pitch and an appropriate community management solution being provided, potentially by Active Northumberland."
43. The Council would own the asset of the new Leisure Centre but lease it back to Active Northumberland to run it on the Council's behalf. Having regard to the challenges of delivering a profitable operating model in Berwick it is likely that any rental charge to Active Northumberland for the centre would be minimal initially. This could be reviewed going forward with the aim being to move to a full rental charge in future.

Links to other services

44. There has been some discussion recently between Active Northumberland and Adults Services on potential re-provision of some adult day services provision within leisure centre facilities. Berwick would be an ideal option for the development of this type of integration and it would be sensible to model this within the planning for new build. The new chief executive of Active Northumberland has had experience of successfully delivering similar types of service join up in Tameside in previous roles.
45. If this option is taken forward, it has the potential to offer a significantly improved level of service to adult care service users through better quality facilities and the fact that services will be delivered in a way that is more integrated with the community.
46. Current provision can be felt to be “warehousing” people with disability away from the rest of the population in dedicated day centres often on the outskirts of towns and communities. In Berwick, the LD day care provision at Northstar is old and tired. Options for reviewing the service are being looked at by Adult Services.
47. The Tameside model has also led to a notable number of employment opportunities for disabled people within leisure services and something similar in Northumberland would be tremendously positive outcome and assist an area of performance that Adult Services has struggled with historically.
48. Whilst this option is being considered more widely than just Berwick it could be a key component of the new build facility. It would require some space for activities for service users within the facility although this is likely to be multi-use space which could accommodate adult care day services during daytime hours, but which would be freed up for leisure use at peak times in the evening and weekends.
49. This would be likely to generate significant cost saving to adults and the Council, whilst providing valuable income to Active Northumberland for use of facilities at generally quieter times of the day. There would need to be more discussion between the services to work this up, but it could run alongside the design and development of the new leisure facility.
50. It is also possible that Adult Services could be asked to provide some capital grant funding into the scheme to add some floor area for the multi-use facilities it would need to develop a day care offer within the leisure centre. This would need to be worked through in detail during the design stage, but for scale it is estimated that £1m of capital grant could add roughly 400sqm to the floor area which would certainly give some additional options for joint use space between the adult care service provision and the leisure option.
51. If it is decided to progress a joint development with Berwick Infirmary, which will also include Primary Care, it would be useful to explore other advisory/third sector type services such as CAB, Support Planners, Tourist Information etc for co-location. This would provide the town with a Hub model very much designed to support the community in a variety of ways.

Next steps

52. Once a decision has been made, the next steps would be to procure a design team to progress concept design within the cost envelope, then subject to approvals, progress the detailed design for a planning application. Procurement of the main contractor would follow the planning submission.
53. A normal timescale for a project of this nature is 12 months from appointment of a design team to commencing construction on site, with an estimated 2 year build period. It may be possible to shorten the planning, design and procurement stages to around 9 months if framework options are available and there were no obstacles through consultation and planning, but the general consensus is this would be very tight.
54. It should be noted that a full review will take place at the end of the design phase that should offer detailed information on project capital costs and a full business model from Active Northumberland on the estimated financial viability of the new leisure facility.

Recommendations

55. The recommendations are as follows:

- a) ***To agree to moving the scheme forward with Northumbria Healthcare Foundation Trust as a combined project (Leisure and Hospital facility) at the Swan site.***

Note, this has been agreed from an NHS perspective already as their favoured option. The Trust is comfortable that the Leisure Centre build is likely to be undertaken first on the site and the hospital would follow.

- b) ***To approve an increase in the total capital program allocation for the leisure centre development to £18m from the current allocation of (£6m approved plus £6m in the 5 year program).***

- c) ***To approve the commencement of the detailed design phase in conjunction with Active Northumberland.*** This would allow the appointment of a design team through framework to develop the scheme and the business case through RIBA stages towards a planning application. It would also allow Active Northumberland to develop a potential operating model linked to the design.

Note, if the project for any reasons did not move through to completion, any fees incurred in feasibility and design would have to be written off to revenue and could not be capitalised. The costs through to end of concept design are likely to be the region of £250k.