

Item No. 14	Classification: Open	Date: February 13 2007	MEETING NAME Executive
Report title:		Leisure Centre Investment Strategy	
Ward(s) or groups affected:		All	
From:		Strategic Director of Environment and Housing	

RECOMMENDATIONS

That the Executive note:

1. That the most affordable option for funding major investment in leisure, given the Council's ongoing revenue pressures and constraints, is by way of the Council's own capital resources.
2. That the regeneration programmes for Canada Water and Elephant and Castle have the potential to provide state of the art leisure centres in these locations in the medium term.
3. That there is commitment, enthusiasm and vision for a community hub in Camberwell and potential to develop the leisure centre building as a facility which brings a range of services including leisure facilities under one roof.

That the Executive therefore agrees:

4. That a £12.3 million phased refurbishment programme for the Council's leisure centres be agreed as included in the capital programme to be agreed by Council on 21st February 2007.
5. That the investment programme be phased to take maximum advantage of the potential for the Council's regeneration programmes to provide new facilities in the long term and allow for exploration of the feasibility of the community hub option at Camberwell
6. That the first phase of development focus on the refurbishment of Dulwich Leisure Centre and Surrey Docks Watersports Centre (at costs of £5.0 million and £2.3 million respectively):
 - Dulwich on the basis of there being no obvious regeneration opportunities in the area to develop a new centre and because it services a population in the south of the borough which would have no alternative centre if the existing centre were not refurbished and had to close. Given the current location and lack of competing facilities, Dulwich also has potential to attract and sustain a greater number of new customers.
 - Surrey Docks Watersports Centre on the basis that it is a unique facility for training in sailing, canoeing and other watersports in South London. Through refurbishment, it has the potential to move from a deficit to a breakeven position and ultimately make a modest surplus for reinvestment in the facility and to subsidise the cost of watersports training.

7. That an additional £5.0 million be included in the Council's refreshed Capital Programme to fund investment in the Camberwell, Elephant and Castle and Seven Islands leisure centres and for Southwark Park whilst detailed longer term regeneration plans are worked up.
8. That a small amount of capital be set aside within this capital budget to ensure that Peckham Pulse keeps operating as the high quality flagship centre.
9. That officers engage with local stakeholders to explore all options for a Community Hub in Camberwell at the Camberwell Leisure Centre site. The objective being to create a facility which is vibrant and attracts a large number of visitors by providing a range of services from under one roof and which also acts as a focus for regeneration of the area.
10. That more detailed proposals for the provision of new leisure facilities as part of the Elephant & Castle and Canada Water regeneration schemes be developed as part of the wider regeneration proposals and submitted to the Executive at a later date through the new Major Projects Board.
11. The options be further explored for reprovision / refurbishment and funding Camberwell Leisure Centre by working with community stakeholders and the market and proposals submitted to the Executive by September 2007 taking into account any reconfiguration of leisure centre provision that might arise from the further work on leisure centres in regeneration schemes.
12. That in the light of paragraph 1 (above), the process of negotiating investment in the leisure centres by Fusion in return for a 25 year contract is ended.
13. That an evaluation of the arrangements for future management of the leisure centres be undertaken and that the findings of such evaluation are reported to the Executive in March 2007.
14. That the Executive agrees to set aside a sum of up to £600K within the capital budget being approved towards the refurbishment of Southwark Park Sports Complex pending exploration of partnership and match funding options.

BACKGROUND INFORMATION

15. Following extensive condition surveys and assessment of needs at each of the Leisure Centres, it is currently estimated that the investment required to provide the range, accessibility and quality of facilities required to meet the Council's objectives is in excess of £21 million. This investment is needed in order to make up for decades of underinvestment and to make them fit and sustainable for the twenty-first century in line with the objectives of the draft Corporate Plan.
16. The Council owns seven leisure facilities; Surrey Docks Water Sports Centre, Dulwich, Camberwell, Elephant and Castle and Seven Islands Leisure Centres, the Peckham Pulse and Southwark Park Sports Complex. The latter two facilities are specialist centres which are primarily aimed at providing training for young people in watersports and athletics (see Appendix A for detail).

17. In April 2000 the Council established a leisure trust (Fusion) to operate the facilities under lease and grant funding arrangements. All the staff employed by the Council at the time were transferred to Fusion under the Transfer of Undertaking Protection of Employment (TUPE) Regulations.
18. Fusion manages the leisure centres for an annual “deficit guarantee” payment which is currently £1.8 million per annum. Surrey Docks Watersports Centre currently operates at an annual deficit of £200k. The athletics complex in Southwark Park is a dedicated athletics facility which is currently at the end of its serviceable life.
19. The five Leisure Centres have almost 1 million visits per annum between them. They provide essential facilities for fun and recreation but also for health and well-being thereby playing a key role in improving the health of the borough. This is one of the five aims of Southwark’s Community Strategy.
20. Although there are a number of privately provided gyms around the borough, these do not offer the range of facilities provided by our leisure centres. They do not generally cater for families; for children and young people or for people with severe physical disabilities. They do not provide large swimming pools or sports halls which need to be cross-subsidised if they are to be made available at an affordable cost. A junior swim in Southwark, for example, is cheaper than in any other London borough. This is only possible through the mechanism of cross-subsidy.
21. The Leisure Centres are in varying states of disrepair as a result of decades of under-investment. Most, apart from the Peckham Pulse, require considerable investment in order to keep them safe and even more to bring them up to a standard that is appealing to customers and efficient to run and sustain.
22. If the Leisure Centres were fully improved (or re-provided as part of a regeneration scheme) they would have the ability to attract and retain greater numbers of customers. This would comprise people who had hitherto not used leisure centres regularly and some who would be transferring from other providers. The net effect would be doubly beneficial; firstly it would encourage more people to take part in and sustain involvement in physical activity. It would also increase revenues thereby increasing the amount available to cross subsidise activities and maintain the facilities as well as reducing the cost per visit.
23. Not all the leisure centres have the same ability to attract new customers as a result of investment. This is primarily the result of competition with other Southwark facilities in the catchment area

Research into funding options

25. In July 2003, the Council undertook a Best Value Review of Sport and Fitness (see background papers). This identified a need for significant investment in the Council’s facilities and a decision to evaluate investment delivery and funding options. That evaluation was completed and reported to the Executive in March 2004 and led to a decision to try and achieve the required investment in Southwark Leisure facilities through a Public / Private Partnership where:
 - Fusion would be granted “preferred supplier” status with a view to awarding them a 25 year contract linked to investment in the facilities;

- Fusion would, as part of this preferred arrangement, raise capital for the required investment through commercial funding arrangements and would undertake investment at its own / its funder's risk.
 - The costs of the investment would be recovered in part through improved user throughput and spend and in part through an increase in the contract fee paid by the Council.
27. Since the above decision was made negotiations have been progressed with Fusion with support to the Council's team being provided by Deloitte (Financial Advisers) and Nabarro Nathanson (Legal Advisers). These have involved:
- Commissioning condition surveys to determine the level of investment required to address many years of maintenance backlog.
 - Commissioning research into the market and likely use of new facilities.
 - Fusion working up investment proposals and outline development schemes for each site
 - Fusion appointing their own advisers and identifying potential commercial funding partners.
 - Estimating the total capital funding required to cover both the development proposals and maintenance backlog.
 - Risk Assessments.
 - Discussing the contractual arrangements that will be required, etc.

The way forward

28. There are a number of possible levels of investment ranging from doing nothing to significant refurbishment and/or replacement. These have been evaluated to identify the level of investment that provides best value in the context of financial and qualitative impacts. The 'do nothing' option has not been considered as it does not meet the priorities of the Council for leisure provision. Furthermore, the current condition of some of the buildings is such that it would quickly lead to closure of some facilities on health and safety grounds.
29. The three options considered are set out below:

Option	Definition
Do Minimum	This option can only be considered a short-term palliative. It would keep the facilities open but with a continued risk of building failure. It would not, however, provide anything to attract additional users or spend. Indeed, it is likely that users would continue to be lost to competing facilities in the private sector and other boroughs.
Basic Enhancement	Insofar as the option would provide no step change in the range, attractiveness or competitiveness of the facilities, it is unlikely to result in a marked increase in users or spend and any improvement in these respects is likely to be short-lived.
Full Refurbishment	Whilst the most expensive from a capital viewpoint, this option provides scope to significantly improve revenue generation through increased usage and spend per user. Clearly, it is also the only option which is likely to come close to meeting the expectations of residents and the objectives of the Council.

30. Officers consider that the full refurbishment option is the most desirable way forward. Whilst it is acknowledged that this level of investment would never be likely to be self-financing, the extent, type and range of improvements proposed would at least improve usage, customer satisfaction and potentially revenue generation. Appendix B gives a cost and context for full refurbishment of the Leisure Centres.

Funding the Investment Package

31. The Council has three principal options for sourcing the funding of the leisure investment need. These are Private Sector funding facilitated through some form of Public Private Partnership (in this case limited to a deal with Fusion due to their existing occupation and the absence of a viable market for the types of centre that the Council is currently able to offer); direct funding from the Council using existing resources; or through prudential borrowing. Both the Public Private Partnership and prudential borrowing options in particular lead to additional revenue implications for the Council and apply pressure on the levels of Council Tax alongside other Council priorities.
32. On a like-for-like basis, private sector funding is in general terms more expensive than that of the public sector and carries with it a risk weighting. This has been confirmed to be the case in this instance, arising from extensive analysis carried out by the Council, the financial advisors linked to the project and by the extensive work carried out by Fusion themselves. The analysis was completed in the context of a 25 year arrangement that was considered most appropriate to support an initiative on this scale.
33. Whilst the Public Private Partnership route might be more expensive, it has been investigated thoroughly because it had the potential to provide access to funding that may not have been available if the Council has no prudential borrowing capacity or no capital resources available. It is an option that has been used successfully in a number of other local authorities, but not specifically to support long term leisure arrangements. The Council sought to see if this was possible. However, investment raised by this means still needs to be paid for through annual revenue commitments, either through:
- The costs being passed to the Council by the Public Private Partnership contractor through the annual contract payments
 - The costs of furnishing debt, including those costs arising from prudential borrowing.
34. The costs of a Public Private Partnership deal have been explored with Fusion and the revenue costs of this deal assessed to be approximately £2.0 million per annum over and above the current level of revenue support granted to the service by the Council. This represents the equivalent of around 2.5% in Council Tax. It is made up as follows:
- £2.1 million to service the borrowing
 - £0.5 million in a lifecycle fund (ie. renewals and replacements)
 - £0.1 million in the trading account deficit (ie. the difference between income and expenditure)
 - £0.1 million in administering the Special Purpose Vehicle (which is a feature of Public Private Partnership contracts).
35. In addition to the revenue consequences, the negotiations with Fusion also identified issues that make any consideration of the PPP solution less attractive. These include :
- That the developments were likely to be more costly than originally expected, (i.e. now something in excess of £21 million at current costs).

- That whilst the developments proposed would generate additional income, this would be much less than that which would be necessary to cover the costs and that any difference would need to be funded through the subsidy provided to Fusion by the Council.
- That the requirement for additional subsidy would impact on the Council's ability to fund the revenue costs associated with its wider service.
- That the level of risk transfer originally anticipated, was unlikely to be achieved as recent experience suggests the funders would need to impose caps on latent defect liabilities. Latent defects are the defects inherent in a refurbished building which would not be detected even by a thorough survey, they only become apparent when something major goes wrong and then they can be very costly to repair.
- That Fusion required an indemnity for its costs to enable it to meet such costs if the Council failed to complete the deal. In essence this would mean that irrespective of the value for money offered through the final Fusion proposal, the Council would be obliged to accept it or (potentially) meet a very large adviser bill.

Affordability Prioritisation

36. Although it is desirable to undertake a full refurbishment of the all centres immediately, this is not realistic, not least given the timescales involved to complete the works, capacity to undertake procurement and project management and the need to maintain accessibility to leisure facilities and the level of capital available.
37. Officers have considered the priority needs and the related affordability of investment and its capacity to deliver the refurbishment as well as the case for refurbishment of each centre on the basis of the following criteria:
- Competing facilities
 - Current condition of the building/facility and the potential for refurbishment
 - Amount of capital needed for refurbishment
 - Potential to maintain service during refurbishment
 - Potential Demand for Service (i.e. return to investment in terms of usage)
 - The projected life of the building – especially relevant where new centres will be provided in the medium term
 - Regeneration Opportunities
 - Potential to reduce revenue spend and/or generate cross-subsidy (ie. as a result of investment)
 - Timescales in which the refurbishment could be achieved.
 - Refurbishing centres with the greatest revenue generating potential first as they provide vital cross-subsidy for all the centres.
38. Appendix A sets out the analysis of needs of each centre against these criteria in order to propose a logical ordering and phasing of investment. Appendix C proposes a logical ordering and phasing that are reflected in the recommendations to this report.

Reducing the affordability gap

39. Officers have also considered:
- Phasing the developments and front-loading the phases with the proposed developments at the facilities where the revenue generating capacity is likely to be greatest.

- Phasing the developments so that those within regeneration areas are delayed until the wider regeneration work is undertaken with the aim of incorporating replacement facilities within the regeneration works

and following this analysis, it has been determined that an affordable and rational way would be to:

- Progress full refurbishment schemes at Dulwich Leisure Centre and the Surrey Docks Water Sports Centre at an estimated capital cost of £7.3m.
- Review of what services the community need and aspire to in Camberwell and develop alternative ideas which might improve access to funding streams through meeting a wider range of Council service needs and possibly land release or market interest.
- Scaling and phasing investment in the Elephant and Castle and Canada Water Leisure Centres in line with regeneration timelines.

40. By adopting this phased approach the financial requirements over the next 5 years are estimated at:

Financial Year	Estimated Capital Required £m
2007/08	2.65
2008/09	5.65
2009/10	1.00
2010/11	1.50
2011/12	1.50
Total	12.30

41. This is a substantial level of investment, the extent of which makes the leisure capital investment programme almost unique in London, apart from the Olympics programme.

Delivery

42. Should the Executive adopt the above phased investment proposal, it will need to put in place a project delivery plan. To that end Appendix D contains an initial outline project plan. To provide the resource/capabilities to deliver that plan, the Council will need to:

- Identify a programme/project manager.
- Appoint appropriate support advisers, eg. architects, quantity surveyors, financial and legal advisers.

Future Management Options

43. The Council also needs to consider the management arrangement for its leisure centres. Fusion's leases on the current buildings expire in 2010. The main options available to the Council are as follows:

- Re-negotiate a new management contract now with Fusion

- Continue with Fusion until the existing contract ends in 2010 and then re-negotiate or go to the market for a range of potential providers including Fusion.
 - Cease Fusion's existing arrangement and go to the market now.
 - Bring the service back in house.
 - Go to another operator as a preferred provider of management services.
 - Set up another community organisation to run the centres.
44. The proposed main criteria for assessing the above (and other) options are ones that will help to result in a management solution that brings about:
- Continued and sustained improvement in services
 - Better value for money for the Council on an ongoing basis, and
 - Greater control for the Council over service design and development
45. A fuller assessment of the options will be undertaken by officers and reported to Executive at a future date.

RESOURCE IMPLICATIONS

Revenue Implications of Council's Proposed Investment Package

46. In order to work up the true costs of an investment deal it was necessary to (explore) and to enter detailed negotiations with Fusion. Negotiations are now at a stage where Fusion is in a position to provide a Best and Final Offer proposal. Ending negotiations will incur a cost but this cost will be much lower than if negotiations were to continue to closure and not be successful. The costs are subject to detailed negotiation and analysis and will be provided from within existing resources and earmarked provisions. This covers the cost of preliminary work by Fusion underwritten by the Council in order to establish costs and investment choices. Some of the work that has been undertaken will be of use to the Council if it decides to undertake the investment by itself. This includes work undertaken on structural surveys, service specifications and initial design work.
47. The revenue implications during the building phase will be need to be finalised once the programme of refurbishment is confirmed. There will need to be an agreement with the management contractor and a price for operation of the service during this phase. These costs need to be contained within existing budgets, but this remains subject to negotiation regardless of solution.
48. During the build phase, because some of the services will not be operating, Fusion will look to the Council for compensation for lost income. The likelihood of this being paid and the size of any payment cannot be quantified until the phasing of build is agreed and discussions have been undertaken with Fusion. It will be the Council's expectation that Fusion will take all reasonable measures to minimise the potential loss by re-deploying staff where possible and managing down all variable costs. If the scheme as proposed were to proceed there will be a substantial lead in time before the schemes go on site.
49. This time would be used to negotiate and plan the closures and to determine what the longer term management arrangements for the centres will be. All these factors will have a bearing on the final revenue implications of the development proposal.
50. The cost of the service post build phase will be largely determined by the capital investment in each of the centres and their resultant capacity and revenue potential. It

is clearly the aim of the investment programme to make the centres more attractive and as viable as possible thereby reducing costs and increasing potential for income.

51. The aim is also to try and optimise the investment at the centres that will be replaced in time through the regeneration programmes so that the minimum amount of capital necessary is deployed.

COMMUNITY IMPACT STATEMENT

The aim of the proposed redevelopment programme for leisure centres is

52. The aim of the proposed redevelopment programme for leisure centres is to improve accessibility (especially DDA compliance) and enhance greatly, the quality and range of services on offer.
53. With the exception of a slight dip caused by the recent temporary closure of the Peckham Pulse, attendances at leisure centres have increased steadily over the last five years. The increases in attendance by people from the Council's target groups have been particularly encouraging. The trend is flattening out, however, and further growth is limited by the poor condition of buildings and the quality of services they are able to deliver. If the facilities are not improved customers will start to drift away from the services. This will reduce the ability to generate cross-subsidy leading to further decline in the fabric of the buildings and increases in cost. Facilities may have to close leaving large numbers of people with no where to go to.
54. The planned investment will have the converse effect, making it possible to attract and retain customers from the entire spectrum of the community and offer them the services they want and aspire to at prices which are affordable.
55. The plan for a Community hub at Camberwell Leisure Centre could combine leisure with a number of other services making it a valuable resource for the whole community as well.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Borough Solicitor

56. The Council has a power to provide leisure services, and a duty to ensure that its premises, such as leisure centres meet health and safety standards as a minimum, and are operated in a safe and secure manner. The report sets out the leisure centre investment history and history of the decision to negotiate with Fusion (paragraph 28). It and sets out the issues which have changed since that date and which give rise to the recommendation to cease that negotiation and take the steps set out in the recommendations. To cease that negotiation is likely to incur cost; the Executive will wish to balance against that cost the benefits set out in the report. Future consideration of and decisions on the way in which capital spend (if approved) on the leisure centres is made, and what future management arrangements are put in place will need to take into account procurement rules and Contract Standing Orders.

Finance Director

57. The capital programme being referred to the Executive for approval on 13th February includes provision for Leisure Centres of £12.3m, including full refurbishment of Dulwich and Surrey Quays Leisure Centres and generic provision for the remaining five Leisure Centres across the Council. The generic provision will be subject to detailed planning and prioritisation to be established over the coming months.
58. These works will be funded from available capital resources as part of the wider capital programme in line Council priorities assigned by the Executive and subject to agreement by Council on 21st February.
59. There will be revenue consequences arising from the programme of works, not least as a result of the extended closure of centres during refurbishment and redevelopment. As far as possible these will need to be contained within revenue existing budget provision. Any variations will need to be considered as part of the Council's business planning process as it formulated through 2007/08.
60. Development of the Camberwell Leisure Centre site as a community hub will be subject to a separate business case, over and above the essential work required on the premises as called down from the sum approved in the refreshed capital programme for such work.
61. Development of Seven Islands and Elephant and Castle leisure facilities will be considered initially by the major Projects board as part of the related regeneration projects.

REASONS FOR LATENESS

62. The Leisure Investment report has been delayed because it needed to be completed in the context of the report on the Council's revenue budget. The latter report has only recently been finalised and will also be presented at the Executive on 13th February.

REASONS FOR URGENCY

63. The report needs to be considered as soon as possible in order to minimise costs associated with the Fusion Public Private Partnership (if that is to be ended) and to arrange for the necessary investment to be undertaken in the leisure centres as soon as possible. This will halt the decline of the Leisure Centres, save the problems of patch repairs and service disruption and begin the process whereby they become attractive and effective at delivering services in the shortest time possible.

BACKGROUND DOCUMENTS

Background papers	Held At	Contact
In addition, describe any monthly/quarterly monitoring reports to Heads of Service/Directors/DCRS	Sport and Fitness Section Parks and Sport Chatelaine House, 186 Walworth Road, London SE17 1JJ	Nigel Robinson 020 7525 0882

APPENDICES

No.	Title
Appendix A	Leisure Centre Analysis
Appendix B	Refurbishment Options
Appendix C	Proposed Timetable of Investment
Appendix D	Indicative Project Plan

AUDIT TRAIL

Lead Officer:	Gill Davies (Director of Environment & Housing)		
Report Author:	Jay Yeats		
Version	Final		
Dated	February 9 th 2007		
Key Decision	Yes		
Officer Title	Comments Sought	Comments Included	
Borough Solicitor and Secretary	Yes	Yes	
Chief Finance Officer	Yes	Yes	
List other officers here	Director of Regeneration	Yes	
Executive Member	Yes	Yes	
Date final report sent to Constitutional Support Services	February 9 th 2007		

EXECUTIVE REPORT: LEISURE CENTRE INVESTMENT STRATEGY

APPENDIX A LEISURE CENTRE ANALYSIS

Camberwell Leisure Centre

Competing Facilities:

Purely as a leisure centre, Camberwell Leisure Centre faces stiff competition from the Pulse and in the longer term this will be exacerbated when a pool is re-provided at the Elephant and Castle and when community sports facilities are provided in the vicinity by the new Sacred Heart School.

Current Condition of the Building:

The building in relatively poor shape: The roof is in need of major repair; the concrete slabs which support the floors are in very bad condition; the plant needs replacing as do water and ventilation systems; the building is also needs extensive weather-proofing. The foot-print of the centre is awkward even when compared with Dulwich which is a building of similar age. It has large areas of corridor and dead space and is extensively listed.

Cost of refurbishment:

The cost of full refurbishment would be in excess of £6million.

Potential to Maintain Service during Refurbishment

Camberwell would have to close completely for two years in order to be refurbished. It is not configured in a way that would allow for a partial service to continue.

Potential Demand for Service:

Because of competing facilities, the business case for Camberwell is relatively weak compared with the other centres.

Projected Life of the Building:

Currently the building is in poor condition as a leisure centre but it could be refurbished and properly maintained giving it a long life depending on what the proposal was. There are no plans to demolish the building as part of any regeneration programme; in fact the vision is that Camberwell Leisure Centre would form the hub of such a programme.

Regeneration Opportunities

Camberwell is not part of a major regeneration area unlike Elephant and Castle but there is a strong will in the area for a community hub, including leisure, based at Camberwell. Options for this are being explored.

APPENDIX A LEISURE CENTRE ANALYSIS

Potential to reduce revenue spend and/or generate cross-subsidy:

The business case is weak, Camberwell for example having about half the revenue generating potential of Dulwich Leisure Centre when given like-for-like refurbishment.

Timescales:

The building needs urgent health and safety work in order to keep functioning in the immediate future and more extensive repair work (within the next 3 years) to remain functioning.

Conclusion:

Although there is not a strong case for a full refurbishment of Camberwell solely as a leisure centre, this does not mean that the building is not highly valued. A number of local stakeholder groups have identified Camberwell Leisure Centre as a vital community hub which, if appropriately refurbished could meet a number of local needs including leisure, as well as acting as a focus for the sustainable regeneration of the entire area.

Members and officers are in the process of generating ideas and exploring potential options with the stakeholder groups. Ideas could include an investment package with an external investor which would produce the desired outcome and also potential for a Community Trust to safeguard the future of Camberwell Leisure Centre. Even if a simple refurbishment of the centre were possible, Camberwell Leisure Centre would have to close for two years whilst this was undertaken. What is proposed here is that the centre is kept open in the immediate future and appropriate repair work will continue to be carried out while a long-term solution is identified.

APPENDIX A LEISURE CENTRE ANALYSIS

Dulwich Leisure Centre

Competing Facilities:

There are currently few competing facilities for the leisure market in the catchment of Dulwich Leisure centre but because of the potential market there is great interest. The investment Fusion put into refurbishing the gym to a high standard some 6 years ago, paid dividends in terms of membership almost immediately.

Current Condition of the Building:

The building is 110 years old and in need of structural work including work to the roof. Because of the potential for business a state of the art 100+ station gym was installed at the centre in 2001 by Fusion (at their own cost). The new gym is very successful and will not need extensive re-furbishment but the roof above it and the services to it will be improved. The main changes will be a re-alignment of the building, a refurbished pool and a café. The footprint is not ideal but not as awkward as Camberwell Leisure Centre. Parts of the building are listed.

Cost of refurbishment:

Full refurbishment is estimated at approximately £5.0 million. A full refurbishment would mean an upgrading of the swimming pool and the rest of the building to bring it up to a high modern standard which would address accessibility issues and make it more family friendly by the inclusion of a café area for refreshment and socialisation.

Potential to Maintain Service during Refurbishment

Because of the footprint of the building and configuration of the current services, part of the building could be kept open whilst the other part was refurbished, so the gym could operate whilst the pool was being re-provided and the vice versa. This would allow some revenues to be generated from the building and continuity of service provision.

Potential Demand for Service:

Because of lack of competition the projections for attendance and revenue are very encouraging. This was expected and proven when Fusion refurbished the gym several years ago.

Projected Life of the Building:

In current condition the building is in immediate need of repairs but there are no question marks over its future as part of a regeneration programme. With full refurbishment and proper maintenance it could have a long life.

Regeneration Opportunities

Dulwich does not form part of any current or foreseeable regeneration area, hence re-provision through regeneration is not an option.

APPENDIX A

LEISURE CENTRE ANALYSIS

Potential to reduce revenue spend and/or generate cross-subsidy:

According to the business case a full refurbishment should enable the centre to become immediately self-sustaining in revenue terms and to yield a surplus in the medium and long term.

Timescales:

The timescale for procuring the work and undertaking the investment would be about 30 months in total to deliver the new centre. The plan is for the work to be phased so closure of the whole building is minimised to a few weeks.

Conclusion:

There is a strong case for undertaking a full refurbishment of this centre and doing it as soon as possible. This will mean that capital is not wasted on temporary patching repairs and the centre can begin to generate revenues in the shortest possible timescale.

APPENDIX A LEISURE CENTRE ANALYSIS

Surrey Docks Watersports Centre

Competing Facilities:

Surrey Docks Watersports Centre is a unique and potentially valuable resource for training in Watersports (primarily for children) that is currently running at a loss because the provision of watersports training at affordable costs means a relatively high level of subsidy. It could attract a greater market by providing a small gym and fitness facility for which there would be little local competition. A refurbishment would also allow the centre to expand its range of other revenue generating products using areas and timeslots that would otherwise be dormant. These could include conference and management development facilities.

Current Condition of the Building:

The building is relatively structurally sound but looks tired. There is some structural work to the building and pontoons needed and building work to provide a new changing area for Watersports but the rest amounts to refreshment, redecoration and purchase of equipment.

Cost of refurbishment:

Full refurbishment is estimated at £2.3 million. which will provide a slightly re-configured and fully refreshed building, a new gym and social area and the ability to develop a new range of product lines.

Potential Demand for Service:

With refurbishment a whole range of new revenue-raising services could be provided from the centre.

Projected Life of the Building:

In current condition the building is relatively sound but needs repair and refurbishment but there are no question marks over its future as part of a regeneration programme. With full refurbishment it could have a useful life of at least another 25 years

Regeneration Opportunities

Although there will be considerable re-generation in the Canada Water area this will be in the longer term and there are no plans, currently within that scheme for Surrey Docks Watersports Centre. Relatively small scale investment now will secure the medium to long term future of a unique facility and increase opportunities for those who use it.

Potential to reduce revenue spend and/or generate cross-subsidy:

According to the business case a full refurbishment should enable the centre to become immediately self-sustaining in revenue terms turn a current annual loss in to a surplus of £350K within a short time

APPENDIX A LEISURE CENTRE ANALYSIS

Timescales:

The timescale for procuring the work and undertaking the investment would be about 18 months

Conclusion:

There is a strong case for undertaking a full refurbishment of this centre and doing it as soon as possible. This will mean that capital is not wasted on temporary patching repairs and the centre can begin to generate revenues and provide quality Watersports training to children and young people in the shortest time possible.

APPENDIX A LEISURE CENTRE ANALYSIS

Seven Islands and Elephant and Castle Leisure Centres

Competing Facilities:

There is great demand for leisure facilities in both Elephant and Castle and the area served by Seven Islands Leisure Centre and few competing facilities at present

Current Condition of the Building:

The buildings are in relatively poor shape and in need of health and safety repair work in the short term. Elephant and Castle, especially is structurally very poor and half the building (the pool area) was closed several years ago due to problems with the roof. Seven Islands is in better shape but would still require substantial investment to address the problems with the building and bring it up to a modern standard.

Cost of refurbishment:

Full refurbishment is not an option because both are due to be re-provided in the medium term. Refurbishing them both to a Basic standard (i.e. to provide a useful life of 5-7 years) would cost in the region of £7 million

Potential to Maintain Service during Refurbishment

It would very much depend on what level of refurbishment was undertaken at each centre but the likelihood is that both centres could offer some service whilst being refurbished.

Potential Demand for Service:

The demand for new centres in the area is already high and will be enhanced by the regeneration projects which will bring in additional populations to Elephant and Castle and Canada Water. There is also good demand for the current facilities and they would benefit from Basic refurbishment.

Projected Life of the Building:

Elephant and Castle is structurally very poor and the services and plant are in need of replacement. Seven Islands whilst in better condition also needs attention to structure and services and plant. However both centres are due to be replaced by state-of-the-art centres in their respective regeneration schemes. The timescales for the regeneration schemes are unknown at present.

Regeneration Opportunities

The both the Canada Water and Elephant & Castle regeneration programmes provide the opportunity for a brand new state-of-the-art leisure facilities in the medium to long term.

APPENDIX A LEISURE CENTRE ANALYSIS

Potential to reduce revenue spend and/or generate cross-subsidy:

According to the business case a median refurbishment would result in reduced subsidy and possibly break-even at both centres. There has been no full business planning for a new centre as yet.

Timescales:

These need to be thought about when the timing of the re-provision is better known but a median refurbishment would take approximately 18 months at each site.

Conclusion:

It is difficult to recommend that any work (apart from basic health and safety) be undertaken until there is greater certitude about the regeneration provision at Elephant & Castle and Canada Water.

**APPENDIX A
LEISURE CENTRE ANALYSIS**

Peckham Pulse

Competing Facilities:

There is no comparable facility in the area and the demand is high and growing year on year.

Current Condition of the Building:

The swimming pools are currently being repaired for completion in early April. We have no reason at the moment to believe that there are any other major problems with the building.

Cost of refurbishment:

The building is now almost ten years old and showing signs of wear. It would cost approximately £750K to bring it back to “new”. This would serve to protect the Council’s considerable investment in the building and provide people with the level of service for which it was designed.

Potential Demand for Service:

At its peak the Pulse was attracting over 500,000 visitors per year and would be expected to exceed this figure once it is re-launched.

Projected Life of the Building:

Unexpected problems aside (like the pools) there is no reason to think that the building has a life of less than 20 years before major renewals of fabric and plant are required.

Regeneration Opportunities

Peckham Pulse was built as an integral part of the first phase of Peckham’s Regeneration.

Potential to reduce revenue spend and/or generate cross-subsidy:

The Pulse is the Council’s flagship centre it is the best attended and continues to have the excellent potential to generate revenues in the future.

Timescales:

There is no immediate requirement but a refresh should be considered with the next two years to avoid deterioration of the fabric which would require greater work in the long-run.

Conclusion:

A relatively minor refresh of the Pulse is recommended to be undertaken within the next two years.

**APPENDIX A
LEISURE CENTRE ANALYSIS**

Southwark Park Athletics Complex

Competing Facilities:

There are no competing athletics facilities in catchment area.

Current Condition of the Building:

The track and all weather pitch are at the end of their serviceable lives and need urgent replacement as they are increasingly unsafe and virtually un-useable. The pavilion is in reasonably sound structural condition but needs modernising to address current standards and needs.

Cost of refurbishment:

There are several development options for this site which are being explored but the minimum cost of bringing the existing facilities back into use could amount to as much as £1.75 million.

Potential Demand for Service:

If the facility was re-furbished it could be the base for a borough-wide athletics club and attract schools and athletes from a wide area.

Projected Life of the Building:

Currently the facility is almost un-useable but would have a life of about 20 years if refurbished.

Regeneration Opportunities

There may be re-generation opportunities in the area which could provide a major contribution to refurbishment of the facility.

Potential to reduce revenue spend and/or generate cross-subsidy:

There is relatively little revenue generating potential at this site if it were to be refurbished as an athletics facility. It would primarily be a service for children and young people to use at subsidised rates.

Timescales:

Would depend on which development scheme is chosen from the ones currently in scope.

Conclusion:

It is proposed that the Council agrees in principle to fund part of the total cost of refurbishment and that opportunities for external partnership and partnership funding are explored and delivered where possible. Existing opportunities include a partnership with the London South Bank University and funding from the London Marathon Trust (who have already pledged £100K towards a redevelopment of the site). Other opportunities may exist and will be explored as part of a current feasibility study. Improving the site (especially the athletics facilities) will make it a candidate for an Olympic 2012 training venue.

REFURBISHMENT OPTIONS

Centre	Do Minimum	Basic Enhancement	Full Refurbishment	Specification for Full Refurbishment
Camberwell	£1.15m	£2.3m	£5.6m	<ul style="list-style-type: none"> • Make the building structurally sound and DDA compliant. • New reception area • Provide a fully refurbished pool and changing facilities • Provide a modern gym exercise studios gymnastic facilities. • Provide a café
Dulwich	£0.892m	£1.3m	£5m	<ul style="list-style-type: none"> • Make the building structurally sound and DDA compliant. • Provide new entrance and reception. • Upgrade the gym, studios and changing facilities. • Provide a fully refurbished pool and changing facilities • Provide a café; crèche and viewing area for the pool
Elephant & Castle	£3.1m	£4.3m (inc a gm in the pool area)	Not applicable as new centre will be provided in the medium term through the regeneration programme	<ul style="list-style-type: none"> • BASIC ENHANCEMENT will address the health and safety issues at the centre, make the centre more appealing and provide a gym in the disused pool area.
Peckham Pulse	£0.062m	£0.75m	Not applicable	<ul style="list-style-type: none"> • ONLY A REFRESH IS BEING CONSIDERED
Seven Islands	£1.66m	£2.4m	Not applicable as new centre will be provided in the medium term through the regeneration programme	<ul style="list-style-type: none"> • BASIC ENHANCEMENT will address health and safety and access issues, make better use of dead space, and make the centre much more appealing.
Surrey Docks	£0.482m	£1.3m	£2.3m	<ul style="list-style-type: none"> • Refurbishment of entire building including new changing area for Watersports training • New fleet of boats and club facilities for Watersports. • New revenue-generating gym which will cross-subsidise Watersports
Southwark Park Sports Complex	N/A	N/A	£600k	<ul style="list-style-type: none"> • Restoration of centre for athletics. 600K would be the Council's contribution to a much larger scheme yet to be finalised

EXECUTIVE REPORT : LEISURE CENTRE INVESTMENT STRATEGY

APPENDIX C PROPOSED TIMETABLE OF INVESTMENT

	2007/08	2008/09	2009/10	2010/2011	2011/2012	TOTAL
Dulwich	£1.00m	£4m				£5.0m
Surrey Docks	£1.15m	£1.15m				£2.3m
Camberwell, Elephant & Castle and Seven Islands Leisure Centres and Southwark Park*	£0.5m	£0.5m	£1.00m	£1.5m	£1.5m	£5.0m
TOTAL	£2.65m	£5.65m	£1.00m	£1.5m	£1.5m	£12.3m

* Indicative spend dependent on phasing of regeneration programmes for Camberwell Community Hub, and Elephant & Castle and Canada Water