

LONDON BOROUGH OF NEWHAM

CABINET

Is it a key decision?	Yes
Is it in the Forward Plan?	No
Date report published	14/09/2011
Date of meeting	22/09/2011

Subject: Atherton Leisure Centre – Facility Options

Source: Adults, Community and Leisure

Wards affected: All

Exempt Information

N/a

Purpose of Report

The aim of the report is to update members on the implications of planned repair works at the Atherton Leisure Centre following the closure of the main pool to enable works to the pool hall ceiling to be carried out. The report outlines the costs of any remedial works, summaries the initial findings of the draft leisure facilities review, which identifies the need for more localised provision of leisure facilities in Newham, while also outlining the likely costs of a new facility and the associated risks. Due to the costs of carrying out the works officers are seeking in principle agreement to close the facility from the 1st January 2012 and that officers begin work immediately to secure a replacement facility on the same site. However due to the costs of any new facility the risks associated with securing a replacement facility are high therefore there remains a risk that future provision on the site cannot be secured

Reason for Urgency

Following detailed investigative works the estimated costs for the repair of the ceiling of Atherton Leisure Centre main pool hall, have increased from £85,000 to more than £250,000. The increased costs cannot be contained within existing budget provisions. Officers have considered alternative options all of which are likely to require further investment. An urgent decision is required on the possible options for the Atherton Leisure Centre in order that abortive costs can be minimised and best use of resources ensured.

The officer recommendation, if agreed, would allow a minimum of 3 months to decommission the facility and to manage staffing and programming issues. This

timescale would also correspond with the ending of the current GLL contract extension for the management of Newham's leisure facilities on the 31st December 2011

Reason for Lateness

Due to the ongoing escalation of costs of the planned works at Atherton Leisure Centre there is a need for an urgent decision on the future on the facility to minimise further costs.

Recommendations

The Mayor in consultation with Cabinet is asked to:

1. Agree in principle to the closure of the Atherton Leisure Centre from the 1st January 2012
2. Agree that officers commence development of options for the future service provision of a leisure facility on the present site and to report these to members before the end of the year
3. Officers report back to Cabinet if agreement cannot be reached on a cost neutral position in respect of the current contractual arrangements and future service provision in the area or one within the current budget strategy for this service.

Reasons for the Recommendations

Atherton Leisure Centre is an old and complex building. Planned preventive maintenance costs over the next ten years are estimated at a minimum of £2.2m in order to maintain present levels of operations and meet duty of care requirements. This level of expenditure cannot be met within existing budget provision and does not represent best use of council resources.

The main pool hall is presently closed to enable repair works to the ceiling. Initially the works were budgeted at £85,000. However following further investigative works, significant unforeseen issues relating to the presence of asbestos in the loft space have seen the cost estimates increase to approximately £250,000.

A decision is therefore required on the future of the existing facility. The initial findings of the draft Leisure Facilities review recommends provision of a more localised facility on the same site.

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Local Government (Access to Information) Act 1985

Background papers used in preparing this report:

- Draft Leisure Facilities Study
- Atherton LC – Electrical, Mechanical & Structural condition surveys 2010

List of enclosures / Appendices:

Report - Part A

1. Introduction and Background

- 1.1 Many of Newham's older leisure facilities require significant investment to maintain their present operating capacity. Furthermore, with the significant regeneration of the Borough, the population is projected to significantly increase putting greater pressure on existing leisure facilities.
- 1.2 Since 2005 Newham has seen significant changes in its leisure portfolio with the provision of new leisure facilities,(Newham Indoor Athletics Centre), investment in schools (Rokeby) and the development of sports hubs in parks and open spaces (Memorial, Gooseley and Flanders). Newham now has a developing network of high quality facilities that are increasingly reaching and serving more people.
- 1.3 However, initial findings from the Leisure Facilities Review indicate that, although other facilities such as UEL and the Olympic Park will be open, there remains a need to develop a more localised facilities offer through a replacement facility on the present Atherton site supported by community facilities in the Canning Town and Manor Park areas of the borough alongside the retention of existing provision at NLC and EHLC.
- 1.4 In June 2011 the main pool hall of the Atherton Leisure Centre was closed to allow repair works to be undertaken to the ceiling. Due to previously unforeseen issues relating primarily to the presence of unencapsulated asbestos in the loft space the cost estimate for these works has since increased from £85,000 to circa £250,000, which exceeds available budget provision. Following consultation with the Mayor a decision was therefore taken to suspend the works pending consideration of other options, including proposals for a new facility to replace the existing facility. Options officers have considered include:
 1. Completion of the works and reopening of the main pool.
 2. Closure of the main pool and increased programming of the training pool
 3. Closure of the whole facility
- 1.5 If the repair works are not progressed then the main pool will need to be decommissioned and the pool hall sealed off to prevent any risks to customers. This will result in additional pressure on other parts of the building which will require further investment in order to maintain operations in the short to medium term. For example the training pool is now in constant use as a result of main pool closure but itself requires a range of refurbishment works totalling in excess of £100,000. These works would be required in the short term if the teaching pool were to continue to be intensively used.
- 1.6 Furthermore, to comply with fire safety regulations permanent closure of the main pool would have a wider impact on centre operations in a number of areas, including permanent closure of the soft play facility, main pool changing rooms, first floor offices and possible permanent closure of the programmable gym. The

scale of these closures would call into question the operational viability of Atherton Centre

- 1.7 Atherton handles some 240,000 visits a year, 23% of the borough total visits to Leisure Centres. 58% of these are related to swimming which together with gym/group exercise visits, accounts for 90% of the Atherton site's usage. To mitigate the impact of the facility closure officers will be looking to transfer bookings to other centres, where there is capacity. A similar strategy was implemented during the temporary closure of the centre in 2010 and the impact was a reduction in participation rates of between 30% – 50%. An option to develop a stand alone health and fitness studio on the indoor bowls area is being developed to support the deficit in health and fitness.

2. Key Considerations and Sustainability

- 2.1 It is clear that the short and medium term costs associated with repair and maintenance to the Atherton Leisure Centre, along with the need to address the future needs of Newham's changing population, means there is a requirement to consider the future of the centre.
- 2.2 Although there has been investment into new facilities in recent years, Newham's existing leisure facilities require significant investment over the next 10 years in order to maintain operations and meet duty of care requirements. In 2010 building condition surveys estimated the following costs for each of the centres over the next ten years¹.

Centre	Electrical	Mechanical	Structural	TOTAL
Atherton Leisure Centre	380,000	1,465,500	399,428	2,244,928
Newham Leisure Centre	309,000	1,029,000	262,965	1,600,965
East Ham Leisure Centre	22,200	395,000	92,604	509,804
Balaam Leisure Centre	239,000	795,000	43,013	1,077,013
Total	950,200	3,684,500	798,010	5,432,710

- 2.3 These costs, especially those relating to the Atherton Leisure Centre raise key questions about the future of the facility and how the Council can best maximise its return on investment.
- 2.4 To understand the Borough's future demands on leisure, an analysis has been carried out with a focus on pools, sports halls and health and fitness provision (gyms and studios) in Newham. The assessment has also modelled the potential

¹ Cost estimates based on non-intrusive surveys and are likely to be increase as detail is determined.

closure of Atherton Leisure Centre and the accessibility of facilities for residents. The summary of the draft report concludes;

- Whilst the new Olympic Aquatic Centre will provide a huge boost to Newham's pool stock it is not considered that it alone will address on-going localised and area specific needs within Newham due to the localised participation rates across our leisure facilities
- Indoor sports hall space is not a key issue as existing coverage is adequate, though access for the community is important to ensure the benefits of the facilities are maximised, especially on school sites and through community access agreements at UEL
- Newham has yet to attract significant health and fitness private sector operators and is notably short of health and fitness facilities in relation to national and regional averages. Opportunities therefore exist to attract investment through key regeneration areas such as Stratford, Canning Town and the Royal Docks, whilst also delivering new developments as part of a wider community hub facility mix.

2.5 The assessment of current demand and supply has focused on the current population projections. However, due to the significant regeneration of the Borough, there is considerable population growth anticipated in Newham which will mean the shortfall identified is likely to increase. There is also increasingly likely to be a change in the population demographics which may open up new markets, in particular around health and fitness.

2.6 The permanent closure of Atherton will represent a loss of accessible local capacity in Newham. Although there is some capacity to increase swimming at Balaam Leisure Centre, East Ham Leisure Centre is already working at capacity at peak and most off-peak times and Newham Leisure Centre increasingly so. Therefore it is important that a replacement facility on the present site is considered. Outline costs are being prepared for the replacement of Atherton Leisure Centre, but provisional estimates suggest between £11.5m and £19m, depending on the final facility mix requirements. The overall benefit of a new facility is that, based on industry standards, i.e. staffing levels, utilities, pricing and usage, a new facility would be expected to operate with significantly less of a public sector subsidy than the present facility. Estimates range from a breakeven to £100,000 annual subsidy, compared with a present subsidy of circa £450,000 per annum.

3. Service Delivery and Performance Issues

3.1 The ongoing maintenance of Atherton is becoming uneconomic due to its age, condition and complexity. Furthermore there are pressures on service continuity as the leisure operator tries to balance maintenance works with the provision of services. For example the closure of the main pool at Atherton has increased pressure on the teaching pool, which will result in further investment having to be brought forward while customers are required to travel further to alternative facilities while works are carried out. Following the closure of Atherton Leisure Centre last year the loss of customers has been estimated at 28%

3.2 The estimated cost of decommissioning Atherton Leisure Centre is £80,000 inclusive of fees for which budget provision will need to be made. Works will comprise the shutting down of all services, termination of utilities and security measures including an allowance for regular inspection. Fire and intruder alarm systems will be maintained and monitored. A decision made before October 1st will allow 3 months for completion of decommissioning works which is considered adequate.

4. Comments of the Finance Officer

4.1 The current budget provision for repair and maintenance of leisure centres has historically resulted in year-on-year pressures which managers are required to balance. The works at Atherton Leisure Centre were originally estimated at £85,000 but have now escalated to circa £250,000. As the costs reflect repair rather than enhancement, the work would be revenue rather than capital expenditure.

4.2 Undertaking the works and closure of the main pool in isolation from the rest of the centre are unlikely to provide value for money. The building condition surveys carried out in 2010 identified a need to continue to invest in the leisure centres. The expenditure on repairs to the roof would not fully address repairs and maintenance of the centres identified in the condition survey. There would be the requirement to continue to invest, with no identified increase in income or participation levels.

4.3 There is currently no provision within the revenue budget or the capital programme to fund this work.

4.4 The closure of the Atherton Leisure Centre is timely as the present management contract with GLL ends on the 31st December 2011. Following the decision to establish a Newham Leisure and Culture Trust on the 21st July 2011 and authority to extend the contract with GLL to 31st March 2013, officers will work with external consultants to ensure that the new extension to the management fee reflects the new provision.

4.5 The overall estimated budget for a new facility will need to be developed further once the uses for any new facility have been established. The cost of such a facility is presently estimated at between £11 m and £15m. At present there is no identified capital funding for the total costs of the new facility, and no external investment has been secured.

4.6 Officers are looking to establish the liability the Council would face should Newham be liable for the redundancy costs of the GLL staff who could be made redundant if the centre is closed. If Newham were to fund these, the cost of closing the facility would increase, and it will be necessary to re-evaluate the options available as a result.

5. Comments of the Legal Officer

- 5.1** The Mayor in consultation with the Cabinet is asked to approve in principle the recommendation in the report to permanently close the Atherton Leisure Centre for the reasons set in the body of the report and for officers to proceed with options for leisure services in the area and discuss with the current Leisure Provider certain contractual issues identified in the report.
- 5.2** The powers of the Council to provide sports, leisure and recreation facilities are principally contained in Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 but there are other powers contained in the Public Health Act 1936 and under Education legislation. Section 19 states the Council **may** provide such recreational facilities as it thinks fit and is a power to do something rather than an obligation to provide such facilities it is therefore open to the Council to determine not to exercise such powers and permanent closure of the Atherton Leisure Centre is a decision the Cabinet could consider though it is unclear in the report the extent of any public consultation. The primary legislation has no specific provision for winding up recreational facilities. The Cabinet when considering the options in the report and recommendations must be satisfied that reports overall conclusions must strongly support a closure decision.

The Management Contract

- 5.3** The management contract was originally scheduled to expire on 31 March 2011. An extension was negotiated and agreed between the Council and Greenwich Leisure Limited (GLL) on 31 March 2011. The extended term will expire on 31 December 2011 but the Council is entitled to call for a further extension until 31 March 2012. In order to extend beyond that date GLL and the Council must ideally reach agreement before that date. The commercial terms of the extension and the cost to LBN will have to be agreed with GLL and captured in a formalised agreement.
- 5.4** It would be sensible and cost effective to include as part of the discussions to further extend the management agreement the obligation on GLL to provide the Services (as defined in the management agreement) at Atherton. The financial implications of removing Atherton from the service provided by GLL needs to be carefully assessed and account taken in the discussions that will take place a number of commercial issues of the longer term payment mechanism/price structure governing a further extension of the contract. Those discussions are likely to include some associated staffing and contractor costs arising from this report which will also need to be considered as part of the decision of the Cabinet.

Tenancy at Will

- 5.5** The Atherton Centre is leased to GLL as Tenants at will. There is no valuable consideration paid under the agreement and it can be terminated by the parties agreeing to bring it to an end. This should formally be agreed between the parties and should be settled as part of the necessary discussions to extend the management agreement (as set out above). A formal agreement recording the

terms of the agreement reached with GLL should be prepared. The parties should seek to reach agreement that is full and final and includes any potential future liability re dilapidations and/or any other potential claims.

- 5.6** There are likely to be further legal issues coming out of approval of the recommendations but the legal comments made above highlight the legal framework and issues identified at this time.

Service Users

- 5.7** Fitness members would, under their present membership contract, transfer to another facility in Newham. As the large majority of users are direct debit payment then they have the freedom to cancel their membership. Those with an annual membership would also be transferred to an alternative facility and any requests for refund would be dealt on a case by case basis with GLL and the LBN.

6. Risk Management

- 6.1** A risk register is currently being produced. The project team will own the risk register and it will be discussed and updated on a monthly basis at each project team meeting.
- 6.2** Tolerances for the project will be set and agreed with the Executive Director of Adults, Community and Leisure. Any additional risks identified during the project outside the agreed tolerances will be immediately escalated to the Executive Director, through the Project Manager (Divisional Director for Leisure).
- 6.3** In order to minimise negative impacts following the closure of Atherton Leisure Centre on wider leisure operations, officers are exploring alternative options such as temporary pools and health and fitness studios.
- 6.4** There is significant risk that the capital financing will not be secure for a replacement facility. This would result in the council maintaining security costs for a closed building until such time alternative users were found. Officers will continue to work closely with property and regeneration colleagues to secure funding for a facility
- 6.5** The risk to reduction of leisure (swimming) capacity in the borough will be managed by moving classes to other centres, for example, schools and swimming schools. Officers are also investigating the possibility of a temporary swimming pool; this will however be subject to a detailed business plan.
- 6.6** Officers are developing an option to convert the bowls area at Atherton into a stand alone health and fitness studio to cater for the demand for members. This will mitigate the risk of lack of alternative facility in short/medium term.
- 6.7** Reputational risk following the closure of the building will be managed by putting in place a robust communication strategy. Communications will be preparing press releases and coordinating all communications. The leisure operator has

agreed protocols to ensure press calls are directed to Newham's press office, whilst staff will be given full briefings

7. Consultation

- 7.1 Since the closure of the main pool at Atherton leisure centre officers have consulted with the Mayor and Operational Executive on the options for the management of the leisure facility. Furthermore through previous reports on the establishment of the Newham Leisure and Culture Trust there was recognition and acceptance that the replacement Atherton was required to support wider community aspirations.