



City of Westminster

Committee Report

Date:	3 September 2015
Classification:	For General Release
Title:	Response to the Submission from the QPCC and the Save the Jubilee Sports Centre
Report of:	Director of Community Services
Financial Summary:	The report which is the subject of this call-in and titled 'The Active Queen's Park Project – Enabling the Re-Development of Moberly and Jubilee Sports Centre' sets out the financial details
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1. Executive Summary

- 1.1 In advance of the planned Call-in meeting of the Policy and Scrutiny Committees, representatives from Queens Park Community Council (QPCC) submitted their outline alternative proposals in respect of the development and management of Jubilee Sports Centre.
- 1.2 Officers received the architectural and outline business plan proposals from QPCC on 26th August 2015. The proposals have been reviewed by both Officers and a specialist sports and leisure consultant.
- 1.3 This report provides a summary response to the alternative proposals submitted by QPCC.

2. Summary of QPCC proposals

- 2.1 The architectural statement submitted by QPCC provides an overview of their proposed building enhancements which would retain the existing pool and sports hall and re-plan the remaining spaces at Jubilee Sports Centre. The proposals include:
 - A new café
 - A new spa (located in the existing squash court area)

- An extended / relocated studio for dance classes
- A consolidation and expansion of the gym into existing staff accommodation (a circa 65m² increase to 325m²)
- A relocated squash court
- A relocated soft play facility

2.2 From the information provided, it appears that the facilities will be largely refurbished/ relocated as opposed to significantly extended with the spa being the only additional activity area.

3. Summary of Concerns Regarding the Proposal

3.1 Whilst Officers appreciate the time and effort the QPCC has invested in these proposals, there are a number of key issues and concerns which prevent the Council from taking forward these alternative proposals.

General issues arising from the alternative proposal

3.2 The general issues from considering alternative proposals are outlined in the main Committee Report (titled 'Call-in of: The Active Queen's Park Project – Enabling the Re-Development of Moberly and Jubilee Sports Centre') and key issues include:

- **A significant improvement in the quality of sports and leisure facilities would not be realised.** This is a fundamental part of the rationale for the Active Queens Park project which will deliver a 37% increase in sports facility provision as well as a significant increase in the quality of facilities. The existing facilities are in a poor state of repair and require major investment. As previously noted, the QPCC proposals do not include the Moberly site and focus mainly on a refurbishment and relocation of facilities as opposed to a significant expansion and a spa is the only additional activity area.
- **The agreed Medium Term financial Plan (MTP) savings would be risked.** As noted in the main report, £600,000 per annum revenue savings are forecast to be realised by closing the existing (cost generating) sports facilities and developing and opening the new facilities, which are forecast to be at least cost neutral. These planned revenue savings form part of the Council's Medium Term financial Plan (MTP) and agreed budget which was approved by Full Council on 23rd February 2015. If the scheme was not to proceed, given the associated savings form part of the Council's agreed budget, alternative savings proposals would need to be found which would be likely to have a detrimental effect on the Council's sports and leisure offer.
- **The new affordable homes would either not be delivered at all through this project, or would be delayed.** Phase 1 of the project at the Jubilee site includes the demolition of the 12 dilapidated Genesis homes which adjoin the Jubilee site. Any delays in delivering this aspect of the project would lead to further frustrations from local residents who have raised concerns about the negative visual impact and anti-social and behavior issues around the existing

derelict Genesis properties. The delivery of the new affordable homes is contingent on the project proceeding in its current form.

- **The Council is already formally committed to the scheme.** Following a significant programme of consultation (which included detailed discussions with the Campaign Group and other local stakeholders), the project is well advanced and:
 - three formal Cabinet Member decisions have already been taken in order to advance the project to this stage. Previous reports have considered the overall principles of the project and the consultation report also considered alternative options
 - the Development Agreement has been exchanged
 - planning permissions have been secured for all four sites
 - the acquisition of the dilapidated Genesis properties has been agreed by the parties
 - works at Queens Park Gardens and St Augustine's have already been delivered
 - design and contractual work for the next phase of work is being progressed and 'phase 1' of the works programme, which includes the redevelopment of the entire Moberly site and the land occupied by the dilapidated houses owned by Genesis Housing and the squash courts and Games Area on the Jubilee site, are due to commence later this year, subject to the implementation of this Cabinet Member decision.

- **If further delays are experienced, the net cost of the scheme will increase adding further cost pressures for the Council.** The Developer has confirmed that build cost inflation is rising which will increase the overall cost of the project if there are further delays. The Developer has agreed a significant reduction in developer's profit and has taken the burden of the majority of financial mitigation required on the understanding that the project would progress swiftly.

- **The costs of developing the current scheme to this point would be aborted.**

- **Alternative management arrangements are unlikely to have a significant positive impact on the net operational cost of the Jubilee facility.** During the past 10 years, the Jubilee facility has been managed by several respected and highly experienced leisure management operators including the private sector (Cannons Health and Fitness), a trading charity (Nuffield Health) and a social enterprise (GLL). The Moberly Centre was also operated in house until 2012. Due to the poor quality and mix of the facilities, the net operational cost of Jubilee and Moberly has remained consistently high irrespective of the type of management operator and this is highly unlikely to change unless a major transformation of the facilities is delivered.

- **Any alternative proposals for Jubilee would still not address the net cost of the existing Moberly Centre.** The proposed Active Queens Park project will dramatically improve both the quality and financial cost of both Moberly and Jubilee Sports Centres. This would not be the case if alternative options

for Jubilee (only) were pursued (albeit Officers acknowledge that representatives from QPCC have recognised this issue in their submission and have also offered to develop an alternative proposal for the Moberly Centre).

Specific concerns regarding the outline QPCC proposal

3.3 As noted, Officers received the architectural and outline business plan proposals from QPCC on 26th August 2015 (i.e. after the main report to the Committee was circulated). The proposals have been reviewed by both Officers and a specialist leisure consultant.

3.4 In addition to the general concerns noted above and in the main papers, having considered the QPCC proposals, there are a number of specific concerns which are summarised below:

- **Deliverability.** The QPCC alternative proposals promote a relatively modest redesign of the existing Jubilee Centre which it estimates would require a capital investment of circa. £1.6m. However, although potential sources of external funding are highlighted, funding has not been secured to deliver the proposals. Furthermore, the proposal does not include any ‘core’ capital funding which could be used to ‘lever’ or match external funding. This clearly represents a major risk in terms of deliverability.
- **Financial Sustainability.** The sustainability of the alternative proposal relies on achieving a substantial increase in income from a relatively modest capital investment alongside a reduction in staffing budgets which is against a staff structure that is already relatively lean. A summary of the QPCC financial proposals against the latest audited accounts from the existing centre is provided in **Figure 1** below.

	Existing Jubilee SC- 2013/14	Proposal- Year 5 Projection	Variance
	£	£	%
Income	746,162	1,422,416	90.6%
Staffing Expenditure	608,075	507,814	-16.5%
Operational Expenditure (inc. marketing)	494,356	425,847	-13.9%
Total expenditure	1,102,431	933,661	-15.3%

Figure 1- summary of QPCC financial projections against the audited accounts from the existing Jubilee Centre

Officers and the appointed leisure consultant are concerned that there is no evidence to suggest that projected income levels in the QPCC proposal could be achieved given the modest capital investment and limited increase in

income generating activity facilities. The proposals through the Active Queens Park project will deliver a transformational change through the provision of a range of new high quality facilities which represents a 37% increase compared with the existing Jubilee and Moberly Centres combined. The proposed mix of facilities will ensure a financially sustainable position and is supported by key National Governing Bodies of Sport and Sport England who recognise the sporting and financial benefits.

Officers and the appointed leisure consultant also have a number of specific concerns regarding the QPCC income and expenditure projections which include:

Income

- The projected direct debit gym income (given the capacity of the gym)
- The projected level of additional membership payments income
- The projected level of Sports Academy income – with no related coaching costs
- The projected level of additional income from aerobics studio over and above membership income
- The projected level income from outdoor courts

Expenditure

- The modest level of staffing resource to support income projections
- The reduced repairs and maintenance budget for reactive, planned and lifecycle maintenance
- The relatively low budget for equipment replacement costs, particularly fitness and ICT
- The lack of budget for insurance costs, irrecoverable VAT costs and business rates costs
- The lack of budget for the costs for any loan repayments

Whilst it is recognised that there is an allocation of 'other expenditure' of £135k in year 5, this is not believed to be sufficient to account for all the items detailed above.

- **Quality of service offer.** As noted, the QPCC proposal includes a significant reduction in staffing budgets in particular. The proposed staffing structure includes the use of apprentices, however best practice is to employ apprentices over and above the required staffing complement to provide genuine training opportunities as opposed to reduce expenditure. The 'staff costs as a percentage of income' ratio in the QPCC proposal is 36%, which is considered very difficult to achieve for a 'wet and dry' centre such as Jubilee and the industry average figure is approximately 67%. It is felt that the proposal to reduce staffing resources would have a negative impact on service quality.
- **A limited improvement in the sports and leisure offer.** As noted, the QPCC proposal includes an overall refurbishment as opposed to a significant expansion and improvement in quality. The inclusion of the spa is the only

additional activity area and the relatively modest increase in the gym facility (a 65m² increase to 325m²) is significantly less than the proposed gym facility in the new Moberly Centre (circa 490m²).

- **The proposal doesn't address the building fabric issues.** Whilst Officers agree with the QPCC that the pool tank is in a good condition, major work would still need to be undertaken to the pool plant equipment including the pool filters, dosing systems, heat exchangers and ancillary heating plant as well as to the roof and fabric of the building, in order maintain the facility. In 2011 an independent building consultant provided a lifecycle maintenance plan to the Council and this identified that in order to operate the Moberly and Jubilee buildings over a 20 year period the cost to the Council would be circa. £1.8m. This is likely to have increased in the last 4 years due to build cost inflation.
- **The claims of mismanagement.** The Council and Greenwich Leisure Limited (GLL) refute the claims made by the QPCC that the Jubilee Sports Centre has been mismanaged. It should be noted that a number of experienced leisure contractors have managed the facility on behalf of the Council over the past 10 years and have been unable to significantly improve its financial position which is largely due to the poor mix of facilities on offer within an evolving and competitive market.

GLL operates a robust reception entry system whereby customers must either produce a valid membership card to the receptionist, who will verify the membership, or pay for their individual activity. The reception area is secured with gates which are only activated to allow entry once a valid transaction has occurred and the customer is let into the facility to enjoy their chosen activity. This arrangement is consistent across all the Council's sports and leisure centres, including Jubilee.

The contractual arrangements between the Council and the appointed operator (whereby the contractor retains all income and is responsible for all operational expenditure) incentivise the contractor to deliver strong financial performance which includes robust entry arrangements for customers.

4. **Financial Implications**

4.1 These are no financial implications associated with this report.

5. **Legal Implications**

5.1 These are no legal implications associated with this report.

6. **Conclusion**

6.1 This report provides a response to the recent alternative proposal for the development and management of the Jubilee Sports Centre submitted by QPCC.

- 6.2 Whilst the interest and enthusiasm from the QPCC is welcomed, there are a number of significant issues highlighted in this report which mean alternative proposals cannot be considered. The Council has already formally committed to the development and a number of significant milestones have already been achieved.
- 6.3 As noted in the main report, Queens Park Community Council and the Save the Jubilee Campaign Group have been fully engaged throughout process and Officers are keen that this continues. Officers welcome the opportunity to enter into an open dialogue with the Community Council regarding possible options and priorities for the management arrangements of the new facility and to shape an activity programme and overall offer which meets the needs of residents.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact: Richard Barker;
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BACKGROUND PAPERS

None.

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None

Appendices