

Cabinet

1 October 2024

Sports Centres Capital Investment – Virement of Underspend

Portfolio Holder: Councillor Nina Gurung, Portfolio Holder for Culture, Heritage and Leisure

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Summary

This report seeks Cabinet approval to use capital savings identified from underspend on the allocated Cozenton Park Sports Centre budget to undertake a range of improvements to Medway Park and Strood Sports Centre.

1. Recommendation

- 1.1. Cabinet is asked to recommend to Council the addition of a new scheme to the Capital Programme for Sports Centre Improvements, which will undertake improvements to Medway Park and Strood Sports Centre with the aim of improving income generation. This is proposed to be funded by £1.5 million capital investment savings arising from the delivery of the Cozenton Park Sports Centre scheme.

2. Suggested reasons for decision

- 2.1. Allocating this funding to Medway Park and Strood Sports Centre will ensure income-generating investment in all Council-run sports centres across Medway without putting additional pressure on the Council's capital budget. This will be integral to stated Member ambition to seek to remove the annual subsidy required to operate Medway Council sports centres.

3. Budget and policy framework

- 3.1. The provision of leisure services is a matter for Cabinet. Additions to the Capital programme are a decision for Full Council. This report is asking Cabinet to recommend that existing funding allocated for Cozenton Park Sports Centre but not required, is allocated for improvements to Medway Park and Strood Sports Centre. A report will be brought to Council at a future date seeking an amendment to the existing Capital programme, to enable these improvements to be undertaken.

4. Background

- 4.1. In November 2022 Full Council approved a £23.65m budget to demolish the former Splashes leisure pool and replace with a modern family-friendly sports centre.
- 4.2. Subsequent to that decision a contractor, Wilmott Dixon was appointed to work with the appointed professional design team Space & Place and a team of council officers to build and open a new sports centre by summer 2024.
- 4.3. On 16 July 2024, the new Cozenton Park Sports Centre officially opened. The new centre includes a leisure pool, swimming pool, gym and fitness studio and is proving extremely popular. Within its first two weeks the centre had more than 1,000 new members.
- 4.4. Budgetary control has been maintained through the multi-disciplinary working group overseeing the project, and regular updates have been provided to finance colleagues. This control has enabled a number of improved energy-efficiency measures to be introduced or expanded without negatively impacting the project budget.
- 4.5. Following opening of the centre a further review of the budget has taken place, reflecting both contracted positions and an allowance for minor issues/amendments which may be required as the new centre is fully utilised.
- 4.6. From an original budget of £23.65m, the current projected expenditure is estimating a saving to budget of at least £1.5m.
- 4.7. Since taking responsibility for the Council, this administration has set clear commercial targets for the Council-run sports centres – Medway Park, Strood, Hoo, The Strand, and now Cozenton Park. In his first meeting with officers the previous Portfolio Holder made clear his focus was on removing the need for operational subsidy of the sports centres within four years. In 2023-24 the budgeted subsidy required for sports centres (excluding Cozenton Park Sports Centre which was still being built) was £922,000.
- 4.8. This need for improved commerciality continues to be the message which governs decisions taken at the sports centres. Income in 2023-24 exceeded the previous year, enabling a projection within the current FIT plan of an additional £218,000 income in the current financial year.
- 4.9. This target has been achieved within the first quarter of the current financial year, supported by historically high income from direct debit memberships even before the new sports centre opened. As of July memberships were at more than 7,500 across the centres. This has been supported by finance colleagues who have budgeted for a bespoke and sustained marketing campaign in the past three years.
- 4.10. Record income and record membership levels place the service in a strong position. However, there are significant expenditure demands on the service,

most notably through high utility bills as well as the additional expenditure required to operate a new sports centre.

- 4.11. Through Section 106 funding and national funding for energy efficiency improvements to swimming pools, Hoo Sports Centre will shortly be receiving £1m improvements through a combination of energy efficiency measures and modernised changing facilities; and the Strand will benefit from £300,000 of S106 improvements, with the tender for the new children's splashpad water feature currently out to market. The service is also bidding for funding from the Football Foundation for a new multi-sport playzone at The Strand, one of four potential playzones across Medway designed to enhance the sporting provision available.
- 4.12. In addition to the improvements at Hoo Sports Centre and The Strand, the capital funding saved at Cozenton Park provides the opportunity for improvements to Medway Park and Strood Sports Centre, without increasing the current capital budget provision. Together with the investment in Hoo Sports Centre and The Strand, this will mean the administration will have invested significantly in all sports centres operated by the Council.
- 4.13. While both Medway Park and Strood Sports Centre have undergone renovations and/or extensions in the past 20 years, there are a number of areas which have not benefitted. As examples, the pool areas at both centres are circa 50 years old and need modernising; the sports hall floor at Strood is more than 25 years old and without investment will become unsafe; changing rooms and toilets at Medway Park are more than 40 years old; the football pitches at Strood should have had a new carpet laid more than ten years ago; the fitness studios at Medway Park are outdated and too small; and Medway Park needs more gym space to meet demand.
- 4.14. The service has also been able to ensure the new Cozenton Park Sports Centre benefits from improved accessibility features, such as the swimming pool access pods. Where possible these will be incorporated into upgrades to the pool areas at Medway Park and Strood Sports Centre (as well as potentially Hoo Sports Centre).
- 4.15. These modernisations reflect feedback from customers and recognition of the competitive commerciality of this market. There is a recognised degree of churn in the market and an ongoing programme of updated improvements both attracts customers and retains existing members. Given it is statistically four times harder to attract new customers than retain existing members, it is also considered far more beneficial to bring projected investment to Members at a time when income is strong so financial benefits continue to grow, rather than waiting until a time when membership and consequent income may have fallen back.
- 4.16. There is demonstrable evidence to show the positive impact investment in sports centre facilities can have on income generated. In April 2023, a new sports hall floor was laid at Medway Park at a cost of circa £76,000, replacing a floor which was more than 25 years old and was becoming unsafe for sporting activity. In the year before the floor was laid, income generated

through sports hall hire at Medway Park was £224,843. In the year after the floor was laid – taking into account there was reduced income for three weeks while the floor was laid – income reached £297,236. This upward trend has continued in the first quarter of the current financial year, with a £37,000 year-on-year increase reported.

- 4.17. Subject to Cabinet recommendation and subsequent Full Council approval, it is envisaged the £1.5m investment will be equally spread across the two centres. However, this may vary slightly once works are procured.
- 4.18. Approval of such investment will feed into the FIT plan and Member target of removing the annual sports centre subsidy, with improvements focused on generating additional income. Developing proposals to reduce the need for operational subsidy is a defined target within the FIT plan, with a defined programme to be established and approved by March 2025. Capital investment in facilities is regarded as essential to delivering long-lasting income benefits which will achieve Member and FIT plan ambitions.

5. Options

- 5.1. Option 1: Do nothing – do not spend any of the Cozenton Park sports centre capital budget savings and seek to reduce the Council's overall capital expenditure budget.
- 5.2. Option 2: Seek to spend any Cozenton Park sports centre capital budget savings on other Council projects, rather than investing in sports centres.
- 5.3. Option 3: Commit a limited amount of Cozenton Park sports centre capital budget savings to other sports centre investments and use residual to reduce Council overall capital expenditure budget.
- 5.4. Option 4: Commit a limited amount of Cozenton Park sports centre capital budget savings to other sports centre investments and use residual to support other Council capital expenditure projects.
- 5.5. Option 5: Commit any Cozenton Park sports centre capital budget savings to investment in the Council's other sports centres, with the aim of meeting the FIT plan target to reduce and ultimately remove the annual operation subsidy required.

6. Advice and analysis

- 6.1. Option 1: Not spending the residual capital budget would have a marginal direct impact on the Council's borrowing repayments. However, the full sum of £23.65m has been factored in to the Council's capital budget and the sports centre works are required both to increase the longevity of the sports centre facilities and also to improve the sustainability of the centres through creating improved opportunities for increased income. If not funded through this available capital, separate funding requests would need to be brought forward through mechanisms such as the Building Repairs and Maintenance Fund (BRMF).

- 6.2. Option 2: It is recognised the Council has a number of ongoing and potential projects requiring capital funding. Attributing the capital savings to other projects may benefit those projects but would again not address the works required both to increase the longevity of the sports centre facilities and also to improve the sustainability of the centres through creating improved opportunities for increased income. If not funded through this available capital, separate funding requests would need to be brought forward through mechanisms such as the BRMF.
- 6.3. Option 3: At this stage, pending Cabinet recommendation and Council approval of any capital expenditure, works have not been tendered to give precise costs and therefore there may be some residual saving. However, major projects such as the wetside improvements at Strood Sports Centre have been professionally designed and independently costed to give additional certainty. This, together with previous works undertaken such as the sports hall floor at Medway Park, and officer experience gained through previous projects, ensure a level of confidence in compiling the costs required to undertake the sports centre improvements.
- 6.4. Option 4: As with Option 3, until any works are tendered there is no cost certainty. However, some elements of required works have been professionally designed and costed and in other cases previous works give a high level of confidence in the investment required.
- 6.5. Option 5: The investment in Cozenton Park Sports Centre has been agreed and placed into the capital budget. Allocation of any underspend to Medway Park and Strood Sports Centre – together with the planned investment in Hoo Sports Centre and The Strand – means that all five sports centres will benefit from Council investment over the coming year. This will increase the longevity of the centres, improve sustainability through increased income generation opportunities, and not require any additional Council capital investment beyond that to which it has already committed. This creates the potential for ongoing improvements to the Council’s revenue budget position and aligns with the Administration’s ambition to remove the operational subsidy required for the sports centres without increasing projected capital expenditure beyond that already within the capital budget. It is therefore considered the appropriate option to present to Members.
- 6.6. There are no policy or service changes anticipated which require a Diversity Impact Assessment.

7. Risk management

- 7.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community. Using the following table this section should therefore consider any significant risks arising from your report.

Risk	Description	Action to avoid or mitigate risk	Risk rating
No investment in Strood Sports Centre	Strood Sports Centre has a range of facilities which are beyond their natural working period. Attracts negative comments from customers and creates ongoing risk of loss of income through people leaving or deciding not to join	Use capital budget savings to invest in improvements while centre is performing well. Reduces risk of existing members leaving and increases opportunities to attract new members	All
No investment in Medway Park	Medway Park has a range of facilities which are beyond their natural working period or do not meet modern customer requirements. Attracts negative comments from customers and creates ongoing risk of loss of income through people leaving or deciding not to join	Use capital budget savings to invest in improvements while centre is performing well. Reduces risk of existing members leaving and increases opportunities to attract new members	All

For risk rating, please refer to the following table (please **retain** table in final report):

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

8. Consultation

- 8.1. While no formal consultation has been undertaken, the range of improvements planned reflect ongoing feedback from customers, National Governing Body recommendations where appropriate (eg 3G football pitch replacement), safety concerns and previous Portfolio Holder (Property and Culture, Heritage and Leisure) guidance.

9. Climate change implications

- 9.1. As achieved at the new Cozenton Park Sports Centre, climate change considerations are factored into any relevant sports centre improvement to ensure all practicable improvements can be realised.

10. Financial implications

- 10.1. This report is requesting £1.5m capital investment in Medway Park and Strood Sports Centre. However, this will be funded through capital investment savings made on the approved Cozenton Park Sports Centre budget.
- 10.2. Thus, there will be no requirement for additional financial support beyond funding which is already accounted for in the current Council capital budget.
- 10.3. Undertaking capital investment to generate additional income is regarded as essential to achieving stated Member ambitions and FIT plan objectives to lessen and ultimately remove the annual subsidy to operate Medway Council sports centres.
- 10.4. Based on current budget projections, additional savings beyond the £1.5m referred to in this report, may be achieved. However, it is felt prudent not to project these until the final accounts for all aspects of the Cozenton Park sports centre project have been received. Should further savings materialise a separate report will be brought to Cabinet once final accounts are closed.

11. Legal implications

- 11.1. The provision of sports facilities is a discretionary function of local authorities and unlike other functions are not mandatory. The Council has the power to provide recreational facilities under section 19 of the Local Government (Miscellaneous Provisions) Act 1976.
- 11.2. The unspent capital funds from the refurbishment of Cozenton Park Sports Centre can be vired to another budget to be used elsewhere. Any virement will be a matter for Full Council as the sum is over £1,000,000.

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Appendices

None

Background papers

None