

Broadmeadow Refurbishment and Decarbonisation Project

Purpose of Report

To seek approval to progress the Broadmeadow Refurbishment and Decarbonisation project.

Recommendation(s)

The Council RESOLVES to:

- (1) Approve the expenditure of £3,700,741 of funding contributions as set out in Table 1 contained within Section 4 of the report to support the delivery of the Broadmeadow Refurbishment and Decarbonisation project.
- (2) Delegate authority to the Head of Place and Commercial Services to ensure appropriate delivery of the project in accordance with this report, Council policy and approved budget.

Financial Implications

Financial implications are set out in Section 4 and Section 5.1 of the report. The business case demonstrates a positive return on investment of 3.98% which exceeds the minimum return on investment of 1% against borrowing.

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Legal Implications

Legal implications are set out in Section 5.2 of the report.

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Risk Assessment

The primary risks are those commonly associated with the unknown nature of refurbishment projects; this includes risks to buildability, compliance with regulations, and the consequential impacts of project scope creep.

With limited availability of specifications and drawings detailing the existing building at the current concept design stage, the project will require a series of intrusive surveys at the next design stage to establish the level of risk associated with refurbishment and to identify and implement mitigation measures, where required.

Other than the main sports hall, the Centre has received only minimal investment; as such it is now critical that the refurbishment elements of the project is carried out in parallel with the grant funded decarbonation scheme to enhance the overall project business case, and to ensure that the building is brought up to modern compliance standards, which will be more economical when addressed through one single project, rather than a series of maintenance exercises.

A condition of the Public Sector Decarbonisation Scheme grant requires the Authority to obtain project financial approval from Full Council on the date of this committee (25th July 2023) at the latest; should Council either not support or defer the decision to progress the project, it should be assumed that the project will become ineligible for funding, which will diminish the project business case.

Further project risks are covered in Section 5.3 of the report.

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Environmental/ Climate Change Implications

Environment and climate change implications are set out in Section 6.4.

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Supporting Documents

Appendix A – Existing Centre layout
Appendix B – Indicative refurbishment proposals
Appendix C – Equality Impact Assessment

1. Introduction

This report seeks the approval of members for the expenditure of funding for a refurbishment and decarbonisation project at Broadmeadow Sports Centre (the Centre).

The project background set out in Section 2 of the report draws upon recommendations for Centre improvements as highlighted in assessments supporting the Local Plan, the Leisure Review, and the Part 1 Carbon Action Plan.

Outline project proposals are set out in Section 3, a favourable business case is presented in Section 4. Project next steps are contained in Section 5, with project implications and discounted alternative options being presented in Section 6 and Section 7 respectively.

2. Background

2.1. Site Overview and Condition

The Centre is located on the Broadmeadow Industrial Estate, Teignmouth, and was constructed in circa 1980.

Providing facilities for gym activities, group exercise and sports, the Centre comprises a sports hall, studio and gym space, squash courts, changing rooms, a sauna, and a staff and reception area, as shown in existing layout drawings contained in Appendix A.

Much of the existing mechanical and electrical equipment serving the Centre forms part of the original building installation; as such, major equipment items such as heating, and ventilation plant are life-expired, inefficient, and due for imminent replacement.

Many architectural details, including internal finishes, fenestration, guttering, cladding, roof surfaces, etc. are similarly thermally inefficient or life-expired, and present an ongoing maintenance cost liability (estimated up to £30k per annum) and risk to leisure service provision should and of the existing plant fail, which could lead to a temporary facility closure and present a reputational risk to the council.

The building has a cellular internal layout with multiple small rooms forming gym, studio, and changing room facilities, which emplaces limitations on the ability to grow the business without providing for modern community needs and market demands.

2.2. Phase One decarbonisation Works

A first phase of decarbonisation works was completed at the Centre in summer 2022, which involved installing an insulated sports hall roof, solar panels, energy storage, and energy efficient lighting. Whilst these works were carried out, the opportunity was also taken to replace the sports hall floor and to refurbish the first-floor studio.

The decision was made not to replace the heating system as part of the phase one decarbonisation works; this was due to uncertainty in leisure service provision and customer membership numbers over the course of the pandemic.

2.3. Leisure Need Assessment

In support of the Local Plan review, a detailed assessment of current provision for indoor and built sports facilities was completed in 2017 to formally assess and identify the indoor sports facility needs across the district and to assist future strategic plan making.

This assessment found that Broadmeadow Sports Centre remains well located for providing leisure facilities to the surrounding communities at Teignmouth and Bishopsteignton.

Outcomes of the Local Plan review were used to inform the 2018 Leisure Review that served to identify the investment and modernisation priorities for Authority-owned leisure facilities.

Consequently, feasibility studies were completed to identify facility improvements that meet community needs and market demands that would provide good value for money; this led to the refurbishments for Broadmeadow and Dawlish Leisure centres being placed into the provisional Capital Programme.

2.4. Social Value

Sport England profile data was used to inform the strategic priorities of the Leisure Review and demonstrate the value of an active lifestyle. Health costs to the NHS for inactivity in Teignbridge were identified to be £2.3m per year, whilst the overall economic value of health benefits in Teignbridge are £47m. The segmentation data identified the following key priorities that are relevant to the Centre:

- Enhanced gym facilities
- Increased studio space for fitness classes

2.5. Carbon Action Plan

The Part 1 Carbon Action Plan was approved by Full Council in July 2022 and sets a target to reduce demand for natural gas by 88%, and a policy to phase out the use of fossil fuels across the in-house building portfolio.

Recognising that the Centre is due to become the Authority's largest source of natural gas consumption of buildings occupied by in-house services, the Part 1 Carbon Action Plan contains a high priority action to apply for funding under Phase 3 of the Public Sector Decarbonisation Scheme.

A grant application was submitted in October 2022, and we received confirmation of our successful bid for £309,700 in March 2023, incorporating decarbonisation measures set out in Section 3.

Achieving the carbon action plan targets will not be achievable without the grant.

2.6. Initial Design Works

Following the confirmation of our successful bid under the Public Sector Decarbonisation Scheme, the Authority appointed an external multi-disciplinary project management and design team to develop the design proposals set out in Section 3, and the initial project Cost Plan and Business Case presented in Section 4.

3. Proposals

3.1. Refurbishment Plans

The Centre development priorities identified in Section 2.2 have driven the refurbishment specifications set out in Appendix B, these include to:

- Creating a new Centre frontage and reception overlooking the car park
- Create an additional studio space on the ground floor
- Create modern village style changing facilities
- Expand and consolidate the ground floor gym
- Expand the first-floor studio
- Refurbish internal floor, wall, and ceiling finishes
- Further enhance lighting and other building services
- Provide fire compartment compliance through refurbishment works.

Image 1: The current approach to the front entrance the centre.



Image 2: The current front entrance the centre.



Image 3: The current main gym space.



Leisure competes in a commercial market with new leisure entrants to the local market over the past 5 years. Improving the business performance of the site, observed through increased participation and membership numbers requires the council to provide facilities that compete favourably against competitors on both the cost and quality of the provision.

The Leisure Needs Assessment confirmed that the site is well placed geographically to meet the needs of the local community and surrounding areas. Previous facility closures for phase one of the decarbonisation works evidenced that users do not travel to the Dawlish or Newton Abbot leisure centres. Sport England local profile data identified that Teignbridge is predicted to experience significant population growth, and a growing proportion of 65+ age group, showing as 30.7% versus an England average of 25.4%. 57% of the community was identified as wanting to be more active. The project presents a real opportunity to support wellbeing through positively offering opportunities to maintain a healthy lifestyle. The costs of inactivity to the NHS in Teignbridge is estimated at £2.4m per year.

3.2. Decarbonisation Works

The proposed decarbonisation works comprise the following:

- Building thermal fabric improvements including glazing upgrades, roof insulation, wall insulation, and draught proofing measures to reduce heat loss.
- Measures to reduce excess solar and internal gains to reduce the demand for active cooling.
- Introducing heat recovery ventilation systems within the sports hall, studio spaces and fitness suites to increase customer comfort and energy efficiency.
- Replacing all gas-fired heating systems with low carbon air source heat pumps or similar heat pump technologies.
- Increased energy sub metering and introducing a building-wide approach to system control.

The combined measures are anticipated to reduce our in-house carbon footprint by 45 tonnes CO₂ per annum, the equivalent of taking 26 cars off the road.

4. Business Case

The Leisure Needs Assessment, Sport England segmentation data and our own performance data / insight has been used to inform the refurbishments plans. Proposals to expand studio and gym space will support Centre membership and class sizes to increase and are estimated to yield a favourable business case showing a 3.98% return on investment over 20 years before accounting for social value benefits highlighted in Section 2.4. Detailed design consultations with the local communities are planned for the next stage of the refurbishment project.

Memberships must increase by 72% on current levels to 1,096 within five years following the project to achieve the 3.98% return, or 47% to 936 to meet the minimum 1% return on borrowing. Prior to the pandemic, Centre membership numbers were consistently achieving circa 1,000 per month. Since then, the membership position has recovered from circa 564 to circa 660 despite facility restrictions and closures during the first phase of decarbonisation works.

The business case is therefore reliant upon returning to pre-pandemic membership levels – this is forecast to occur gradually over a five-year period, with average increases of 12% per annum weighted more heavily in the early years. This will be supported through increasing the Centre's customer capacity with expanded studio spaces that will allow more people to attend classes by increasing studio capacities and being able to run classes in separate studios at the same time, increasing the number of gym stations allowing more users to attend and train in more appropriate spaces using a wider range of equipment, and through the provision of modern changing room facilities. A modest increase in pay as you go income of £6,460 per annum is also factored in.

The required growth will be targeted with bespoke programme designs to bring activities to the centre that would support the latent demand needs of the community. Advertising campaigns would be used to support the growth and communicate the developments at the site. Membership campaigns and new user days will be considered to help bring the community to the site to see the developments and participate in activities that will be on offer. Growth targets have been set over a 5-year period and these will be monitored with actions taken as needed to achieve the targeted growth.

The breakdown of proposed funding streams is shown in Table 1.

Table 1: Proposed funding schedule

| Funding | Amount |
|--|------------|
| Grant | £309,772 |
| S106 | £ 9,384 |
| Revenue contributions to capital | £790,300 |
| Unmet costs to be funded from borrowing | £2,591,285 |
| Total project cost including contingencies | £3,700,741 |

5. Implications, Risk Management and Climate Change Impact

5.1. Financial

The combined business case for the refurbishment and decarbonisation project shows a positive business case with returns exceeding the minimum 1% return on borrowing, as set out in Section 4.

This is based on:

- estimated construction costs provided by specialist consultant design team
- membership level assumptions detailed in Section 4
- interest paid on the element funded from borrowing at a rate of 4%

Variations on these assumptions will affect the return on borrowing percentage.

Construction costs include risk allowances for contractors and inflation, with an additional client contingency of 20%.

Modelling has been carried out to test the effect of lower than forecast memberships (see Section 4).

Modelling has also tested the business case against interest rates fixed for the term of the investment at 6%. Where memberships increase by 72%, the minimum 1% return is still achieved. The Council manages borrowing requirements corporately and its treasury management strategy ensures that interest rate exposure is managed. This includes making use of internal borrowing and spreading maturities. The Council's treasury advisors expect borrowing interest rates to be around 5% at the expected project start date, falling back below 4% by early 2025.

When testing the viability of delivering the decarbonisation elements of the scheme without refurbishment works, it was found that the project struggled to meet the minimum 1% return on borrowing; as such, a combined refurbishment and decarbonisation scheme is favoured to increase the overall project return and de-risk investment.

5.2. Legal

Decarbonisation elements of the project must be carried out in accordance with the terms and conditions of the Grant offer Letter, its relevant schedules, and terms and conditions.

5.3. Risks

Table 2 contains a list of pertinent project risks and corresponding mitigations:

Table 2: Project risks

| Risks | Mitigation |
|--|---|
| Grant Conditions: Not fulfilling the grant condition to gain project financial approval at full council on July 25 th 2023, and the high risk this poses of becoming ineligible for grant funding and diminishing the project business case. | Executive Member for Climate Change, Coastal Protection, Flooding & Trees, and the Executive Member for Sport, Recreation and Tourism to be briefed ahead of Full Council. |
| Grant Spend by Date: The grant must be requested covering project deliverables in advance of the Grant End Date on March 31 st 2025; project delays beyond this point will likely render the project ineligible for funding. | Grant funding deadlines are detailed in the project scope, project programme, and project risk register agreed with the external project management and design team. Climate Change Officer to provide at least quarterly updates to Salix, the grant manager. Delivery of grant funded works to be prioritised where feasible. |
| Structural: A structural assessment of the existing building may determine that it is unable to accommodate proposed refurbishment options and/or decarbonisation options. This could result in design changes. | Early engagement with Structural Engineers to understand viability of refurbishment option. |
| Phasing: Leisure customer activities will be restricted due to the proposed works. A review of phasing costs shall be undertaken to assess the viability of the centre remaining operational. | Mitigation through development of robust strategy and programme with Main Contractor with open dialogue with TDC and associated Third Party Stakeholders. |
| Lack of investment: Lack of investment to the site will likely increase repairs and maintenance costs in the coming years. Delays to the programme will lose the potential for income at the site and likely see an increase to building and material costs in future years. | Undertake refurbishment alongside Decarbonisation project to mitigate and highlight future repair and maintenance. |
| Fire compartmentation: A commissioned fire compartmentation survey highlighted existing Centre issues. Initial proposed works will mitigate several of these issues through demolition. However, further works outside the initial scope of this project is required. | Review refurbishment demolition plan in line fire compartmentation survey will be undertaken to assess the required scope. |
| Building regulations: Initial scope increasing due to building / fabric enhancements required by Building Control. | All parties to manage each area of expertise. Building Regulations to be monitored with early engagement during design stages. Devon Building Control to be engaged in the project. |
| Planning: Project failure / delay in obtaining planning approval and/or onerous planning conditions. | Early engagement with LPA to understand planning requirements and timescales. |
| Return on investment – not achieving the predicted returns / membership growth. | Performance data will be monitored monthly. Targeted campaigns will be used to support progress / achievement of growth. |

Interest rate risk – the risk that interest rates do not fall as projected, leading to higher borrowing costs.

The Council's treasury strategy ensures that interest rate risk is managed, for example by making use of internal borrowing and spreading debt maturities.

5.4. Environmental/Climate Change Impact

The project is anticipated to reduce the Authority's carbon footprint by circa 46.5 tonnes CO₂ per annum, the equivalent of taking 26 cars off the road.

The embodied carbon associated with centre refurbishment will produce fewer lifetime carbon emissions than options to extend or fully redevelop the site.

Enhancing Centre facilities will prevent the need for surrounding communities to travel further afield for equivalent services.

The site is situated in a mixed residential and employment area and can be accessed via walking, cycling, and bus.

5.5. Equality Impact Assessment

An Equality Impact Assessment is contained within Appendix C. It identifies equality scheme benefits including automatic disabled access doors and the creation of a ground floor studio, as well as other benefits.

6. Alternative Options

6.1. Do Nothing

The following implications are valid should Full Council either not support or defer the recommendation of this report:

1. The Authority will be unable to fulfil a condition of the decarbonisation grant requiring the project financial approval on 25/07/2023 meaning that the project will become ineligible for funding, which in turn will diminish the project business case.
2. Without expanded and enhanced studio and gym spaces, there will be long term implications for providing competitive and fit-for-purpose leisure services, and there will be limitations on our ability to grow the Centre customer base.
3. Implications for increased maintenance costs and building compliance issues, as set out in Section 5.3.
4. Implications for equality and inclusivity, where the opportunity to improve site access and provide a ground floor studio, is lost.

6.2. Decarbonisation works only

The option to progress only the decarbonisation element of the scheme was considered and showed that the scheme would struggle to make the minimum 1% return on borrowing indicating a higher level of financial risk without also progressing the refurbishment works in parallel. Items 2, 3 and 4 from Section 6.1 also apply.

Building surveys conducted during the initial design works highlighted several maintenance and compliance liabilities throughout the building, which will be more cost effective to remedy as part of a combined refurbishment and decarbonisation project, as supposed to being treated in a separate maintenance exercise.

With high levels of inflation continuing to impact the cost of building materials, there is a benefit of carrying out both the refurbishment and decarbonisation works together whilst the business case remains positive.

7. Next Steps

Should Full Council support the decision set out in this committee report, the next steps will involve:

- Building upon existing concept designs to create a detailed design and tender specification
- Gaining statutory consents
- Project tendering and appointment of a main contractor
- Creating a project construction phasing plan
- Construction and delivery

8. Conclusion

The project fulfils recommendations and policies set out in the Leisure Strategy and the Part 1 Carbon Action Plan and comes with social value and health and wellbeing benefits associated with improving community access to good leisure facilities.