

**GRAND CENTRAL LEISURE CENTRE:**  
**SHORT AND MEDIUM TERM INVESTMENT REQUIREMENTS**

Report of the Corporate Director, Place Management and Regeneration

**1. Introduction**

- 1.1 This report seeks approval from the Executive for short and medium term investment in Grand Central leisure centre. It forms the first phase of a programme in 2017/18 to address condition issues in the Council's leisure estate.

**2. Vision and Aims**

- 2.1 The Council considers that leisure plays a key part in improving the health and wellbeing of local people. It wants to ensure that an appropriate mix of leisure facilities and other participation opportunities are available which address Stockport's current and future physical activity needs and:
- enable those who are currently active to remain active
  - inspire those who are currently inactive to become active
  - are financially sustainable
  - deliver optimum impact for investment made
- 2.2 As Stockport's prime leisure facility, Grand Central plays a crucial role in helping to meet Stockport's physical activity needs as well as being an important facility for club and school use. A comprehensive indoor leisure needs analysis recently commissioned by the Council has confirmed that Grand Central will continue to be a strategically important facility in Stockport's leisure provision in the long term.
- 2.3 The Stockport Exchange scheme aims to create a transformative development in the town centre that maximises the benefits of its location and proximity to transport links. Grand Central is an important element in this scheme. With its 50m pool, the leisure centre has significant potential to become a key destination to attract people into Stockport.

**3. Background**

- 3.1 Grand Central is operated by Life Leisure who took over the management of this facility after the withdrawal of Serco in 2011. Under the terms of the agreement, the Council undertook to fund any annual deficit generated by the site. The annual budget allocation for this is £0.109m. The Council also undertook to invest in equipment and activities which would maximise income generation at this site. The rationale for this was that it would, in time, lead to a reduction in the need for revenue deficit support.
- 3.2 Since 2012/13, the Council has invested £1m at Grand Central. This has resulted in new fitness facilities and equipment being installed and ensured that the centre has retained its gym membership base in the face of increased local competition, particularly from budget operators. The investment has also addressed a series of

building condition issues at the site. Since taking over the operation of Grand Central, Life Leisure have also made over £0.400m investment in equipment and facilities at the site, including fitting out the gym and part funding the Intensive Training Centre.

#### **4. Issues and Challenges**

- 4.1 The Council and its property partner, Carillion, have fully assessed the condition of Grand Central. Urgent and priority condition issues required over the next three years are valued at £1.847m. These include replacement of the building management system (£0.7m), mechanical services (£0.5m) and general building fabric (£0.3m). Investment in these items is required under the Council's landlord obligations to ensure the building remains operational and safe for users.
- 4.2 Despite previous investment, Grand Central faces major operating challenges. Since taking over the operation of the site Life Leisure have significantly improved its financial performance. However, at present, the health suite and both pool flumes are out of action. Analysis of management information has shown these factors have contributed to sharp reductions in revenue from swimming visits and classes and also from health club memberships. This has meant that the revenue deficit support required from the Council in respect of this facility has risen from £0.100m in 2015/16 to an estimated £0.250m in 2016/17.
- 4.3 Detailed scrutiny of business performance has been undertaken to develop an understanding of investment required to remove the operating deficit within a three year period. Refurbishment of the health suite, which is crucial for attracting new health club memberships at the site, is valued at £0.470m. Replacement of pool flumes, which are vital for attracting back casual family swimming and classes, is valued at £0.200m. There are number of peripheral improvements, valued at £0.300m, which the Council and Life Leisure believe could have a significant positive impact on business performance. The total value of proposed investment to improve business performance is £0.970m.
- 4.4 The development of Stockport Exchange offers significant potential for achieving a turnaround at this site, but only if it is fully operational and attractive and accessible to new customers. An early programme of works will place Grand Central in a strong position to take advantage of increased activity in the area. Phasing improvement and condition works over three years could mean that opportunities for attracting this new business are lost. Expediting the majority of these works in the financial year 2017/18 will also allow better planning, more efficient procurement and minimise disruption to centre users.

#### **5. Proposals**

- 5.1 It is proposed that £1.847m is invested to facilitate works to address priority (up to 3 years) condition issues required at Grand Central and that these works are programmed from 2017/18. A full breakdown of the proposed works is included at Appendix A.
- 5.2 It is proposed that £0.970m is invested in 2017/18 in works to improve business performance with a view to eliminating the need for revenue deficit subsidy from 2020/21. A full breakdown of the proposed works is provided at Appendix B. It is envisaged that, under this programme, the health suite and pool flumes would be fully operational by late summer 2017. This investment will be linked to a framework of performance objectives to be agreed with Life Leisure.

## 6. Financial Implications

6.1 The total investment required for Grand Central £2.817m.

	2017/18	2018/19	2019/20	Total
Priority condition issues	1,588,891	179,323	78,839	1,847,053
Business protection and enhancement	969,623			969,623
	2,558,514	179,323	78,839	2,816,676

6.2 The leisure estate does not currently form part of the Council's Asset Management Plan and so it is not dealt with under the usual processes for agreeing investment in the Council's building stock.

6.3 There is no current capital resource available to meet the cost of the above works and therefore they would require approval and inclusion within the Asset Management Plan capital programme.

6.4 It is proposed that Prudential Borrowing is used to finance both investments. The pressure on the Medium Term Financial Plan (MTFP) resulting from borrowing costs would be mitigated by utilising the revenue cash-limit budget for deficit reduction (which should be freed-up by improved performance following the investment), available capital receipts (currently £0.400m) and available reserves. Any remaining pressure will be included within the next iteration of the MTFP.

## 7. Legal Implications

7.1 The above proposals for investment are consistent with the provisions of leases and other agreements currently held between the Council and Life Leisure in respect of Grand Central.

7.2 The approach to investment proposed above will ensure that the Council can comply fully with contract procedure rules in respect of awarding tenders for undertaking works, as there is sufficient lead time for procurement built into the project plans.

## 8. Risks

8.1 If the Council does not invest £1.847m at Grand Central to address priority condition issues over the next three years, more areas of the site could be forced to close in the short term, whilst procurement of contractors and identification of funding sources takes place. If a decision is taken only to invest in items falling due in 2017/18, there is a risk that different elements of the site will be closed at various points over the next three years. This will mean that it is difficult to generate new business from Stockport Exchange occupiers and customers, as they will not be able to take advantage of the full range of facilities offered by the site.

8.2 This opportunity for Grand Central to capitalise on the new business opportunities presented by Stockport Exchange will also be significantly reduced if the Council fails to make £0.970m investment required to turn round business performance at the site. A failure to turnaround business performance is likely to result in increased revenue deficit

support being required from the Council in respect of Grand Central in the future.

- 8.3 There is a risk that investment does not lead to improved business performance at the site and does not reduce the need for revenue deficit subsidy. To mitigate this, the Council will set up a new performance monitoring framework with Life Leisure in respect of Grand Central. This will involve review of income and costs on a monthly basis to enable prompt action to be taken to ensure financial and operational targets are achieved.

## **9. Recommendation to the Executive Meeting**

### **9.1 The Executive is asked to:**

- 9.1.1 Approve investment of £1.847m at Grand Central to address urgent and priority condition issues.
- 9.1.2 Approve investment of £0.970m at Grand Central to turn round business performance linked to an agreed framework of performance objectives for income generation and operations at the site.
- 9.1.3 Approve the application of funding types being delegated to the Deputy Chief Executive in conjunction with the Estates Strategy Group.

### BACKGROUND PAPERS

There are no background papers.

Anyone requiring any background information should contact Peter Ashworth, Head of Culture & Leisure on 0161 474 2392.

## Appendix A : Priority condition issues at Grand Central

642,334 Building Management and linked systems  
33,206 Plant rooms Lux levels below BS standards  
23,826 Non-plant room Luminaries  
83,090 Electrical items under £15,000

**782,456** Electrical Total

188,944 Air Handling Units and split systems  
99,619 Lift beyond economic life non-compliant  
99,619 Boilers beyond economic life  
33,206 Boom  
26,565 Small Pool Slide feature : steelwork / interior  
78,515 Mechanical items under £15,000

**526,468** Mechanical Total

79,695 Male and Female changing, showers, lockers  
59,771 Entrance area internal / external  
30,347 Other internal and external decoration  
127,672 General Fabric items under £15,000

**297,485** General Fabric Total

48,667 3 sets of safety rail to poolside steps  
23,045 Balcony seating inc wheelchair set down areas  
80,204 Accessibility items under £15,000

**151,916** Accessibility Total

17,267 Re-clad vertical visible side of tiling on far side  
27,893 Pool Fabric items under £15,000

**45,161** Pool Fabric Total

42,504 Repair Entrance and Fire Exit leaks  
1,063 Roof Fabric items under £15,000

**43,567** Roof Fabric Total

**1,847,053**

**Appendix B : Proposed works to improve business performance at Grand Central**

464,888 Health suite full refurbishment  
199,238 Flume refurbishment (original 1990s)

664,125	Sub-total
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146,108 Upgrade part of the entrance to modern activity / wait area  
106,260 Small pool area refurbishment  
53,130 Family changing area and bunker

305,498	Sub-total
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<b>969,623</b>
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