

EAST RENFREWSHIRE COUNCIL13 December 2023Report by Director of EnvironmentEASTWOOD LEISURE CENTRE**PURPOSE OF THIS REPORT**

1. The purpose of this report is to update Council on the progress made in relation to the new Eastwood Leisure Centre and seek a decision regarding how the project should progress.

**RECOMMENDATIONS**

2. The Council is recommended to:
- a) Determine whether:
    - i. to progress option 2A, at an estimated cost of £56,981,962, that excludes a library from the proposed design, or
    - ii. to progress option 2B, at an estimated cost of £59,258,960, that includes a library within the proposed Leisure Centre, with the benefits outlined in the report;
  - b) Note the contingency provision of up to £6.7m is included within the estimated costs and that a further assessment will be made once full construction costs are known at January 2025;
  - c) Note the provision of £55m within the capital programme and a further £700k of Development Contributions is estimated to be available to support the project;
  - d) Note that a cost cutting exercise will be undertaken to reduce estimated costs to within the available budget; and
  - e) Approve expenditure not exceeding £1,920,000 for advance works, to enable de-risking of the main contract. This cost is included within the total development costs for both options above.

**BACKGROUND AND REPORT**

3. The Council meeting of December 2022 considered a range of options for the provision of leisure facilities in Eastwood. [https://www.eastrenfrewshire.gov.uk/media/8564/Council-item-14-14-December-2022/pdf/Council\\_item\\_14\\_-\\_14\\_December\\_2022.pdf?m=638065220391070000](https://www.eastrenfrewshire.gov.uk/media/8564/Council-item-14-14-December-2022/pdf/Council_item_14_-_14_December_2022.pdf?m=638065220391070000)

4. The meeting identified its preferred option as being option 2 - *Build a New Leisure Centre with Theatre - with less pool and games hall provision: The design would be similar to Option 1 but with a 25m pool, 10m learner pool, 4 court games hall and reduced specification. This would have a capacity of 650,000 customers per year and a capital cost of circa £52M.* The accommodation schedule included the provision of a library within the Leisure Centre. This option would be 7560m<sup>2</sup> as opposed to the original option 1 which was 10,145m<sup>2</sup>.
5. The Council decision of December 2022 elected to defer option 2 for a period of two years. Council were advised that a 2 year delay would add 13.8% to project costs (circa £7m to total of circa £59M). However, it was decided that the project would remain within the capital plan at £55m with a note that when the plan is given final approval, that the budget may vary from this figure because of construction inflation.
6. It should be noted that the costs were indicative and based upon an estimate of cost per m<sup>2</sup>.
7. Design work has continued to take option 2 forward within Royal Institute of British Architects (RIBA) Stage 3. This work has demonstrated that in order to remain close to the capital plan allocation of £55m it is necessary to reduce the floor area.
8. Therefore two sub options were considered.
  - a. Option 2A – build the leisure centre within the budget of £55M
  - b. Option 2B- build the leisure centre to the space standard outlined at the December 2022 meeting. This would include a library.
9. In order to remain close to the current budget a revised design, option 2A, has been drafted that extends to circa 7,440 m<sup>2</sup> at an estimated cost of £56,981,962. This design includes all the uses outlined in the original option 2 with the exception of the library.
10. Budget contingency of up to £6.7m is included in the estimated costs. These are built into the cost estimates and make provision for additional costs and inflation some or all of which may be required. Proceeding without contingency provision would be a risk to the project.
11. In option 2A the library is omitted in order to prioritise income generating and sports capacity facilities for the Trust.
12. In order to include all the facilities outlined within the original option 2, including a library, a further option 2B has been developed. Option 2B extends to some 7,843 m<sup>2</sup> at an estimated cost of £59,258,960. The library area would also include an art class room space.
13. The cost for option 2B is similar to what was reported to Council in December 2022 which predicted a cost of £59M if a delay of two years was agreed.
14. An additional feature that is proposed in order to reduce cost is the external plant room which allows the specification of this external space to be reduced thereby reducing overall cost. This element is included in both 2A and 2B.
15. Construction cost is only one factor that requires to be taken into consideration. In addition, the larger facility will serve a larger number of users and provide the benefits of an integrated hub with a choice of leisure options. The current Eastwood Leisure Centre has a capacity for 285,000 service users. The new proposal (2B) with the library has a capacity of up to 650,000 service users. This increased capacity can benefit from funding available from

Developer Contributions associated with new housing developments to support the cost of new sporting and library facilities.

16. The potential benefits of including a library in the centre include the following;
  - a. The inclusion of a library adds to the overall appeal of the centre and the family-offer in particular. It is estimated that as much as 25% of footfall to the site could be driven by the library. It is anticipated that a library at Eastwood Leisure Centre could attract 150k visitors per annum;
  - b. Increased dwell-time and number of visits would be increased by the presence of the library. Its central location and relationship with the café would also have increased ancillary income and secondary spend (retail, catering, theatre, Pay As You Go and membership sales). For example the removal of the library is estimated at reducing membership by around 8%. This is estimated to generate income at around £100,000 p.a.;
  - c. The inclusion of the Art Classroom within the library was budgeted to generate £90,000 p.a. through classes. This is a conservative estimate reflecting current actuals;
  - d. The inclusion of the library follows the successful model of Barrhead Foundry and creates a large library on the east of the authority capable of serving as central hub to branch libraries in the area, and providing for future flexibility in the design of services;
  - e. Not including the library will miss the opportunity to create what is anticipated to be the most visited library in the authority, following the tried-and-tested model used elsewhere, including Barrhead Foundry; and
  - f. The new centre at Eastwood will serve a larger and growing East Renfrewshire population.
  
17. As agreed from the outset, any increase in operating costs for the new larger facility require to be offset by increased income to ensure that there is no increase in the subsidy offered by the Council to the East Renfrewshire Culture and Leisure Trust (ERCLT). This has been fully considered and assessed for option 2A and B.
  
18. A decision is now required by Council as to whether to proceed with option 2A or 2B in order to deliver the facility within the agreed timescales and costs. Regardless of which option is chosen, opportunities will be taken during the next phase of design to consider cost reductions that could remove up to £4m from the cost plan and achieve an estimated cost of £55.7m. Option 2A without a library would require less cost reductions to be made. Priority will be taken to minimise the impact on revenue generation, capacity or range of offer. Items that could be considered for cost review may be the theatre fly tower, studio theatre fit-out, merging the café and theatre bar, reducing the size of the training pool, acoustic separation of the library, and the extent of external works.
  
19. Irrespective of which option is chosen the intention is for construction to begin in April 2025. However advance works currently estimated at £1,920,000 could be undertaken between now and 24<sup>th</sup> April 2025.
  - a. Ecology survey and any mitigation
  - b. Utility diversions for Gas, Electricity, Water, Telecoms etc.

- c. Existing building alterations including potential removal and reconfiguration of fire escape and associated asbestos survey
- d. Site preparations including formation of building platform

20. Undertaking these works in advance of construction would reduce the risk of project delivery being delayed by factors such as utility connections and reduce the risk of some cost inflation.

21. The current expected programme would follow the sequence below dependent upon a decision taken at this Council meeting.

RIBA Stage 3 complete and cost review	17.05.2024
ERC Instruction to progress RIBA Stage 4	31.05.2024
Planning Application	17.06.2024 to 06.09.2024
Market Test Period	29.07.2024 to 17.01.2025
HubWS Stage 2 Report to ERC	20.01.2025
Financial Close ERC Contract Execution	03.02.2025 to 28.03.2025
Construction TBC	28.04.2025 to 09.06.2028

## FINANCE AND EFFICIENCY

22. Provision of £55M currently exists for the Eastwood Leisure Centre in the capital plan.

23. In addition, up to £700k of Developer Contributions (DCs) is estimated to be available to contribute to the costs for new library and sports facilities, although not guaranteed. DCs are index linked to new development within the area that would be served by the new facility. Indexation means that sums can vary up and down depending on speed of development and housing market changes. The contributions are made by developers for specific purpose and secured by legal agreement with specific deadlines for spend.

24. Contingency budget is built into both options under consideration and various stages of the project as appropriate. A fixed price for construction will be known by January 2025 and contingency can be reassessed at that point. Until then, costs provided are based on estimates provided by the project team with these contingencies included.

Contingencies built into current cost estimates		
	Option 2A without Library	Option 2B with Library
5% of Prime Cost*	£1,708,510	£1,803,582
Inflation Allowance @ 8.8%**	£3,160,300	£3,336,159
Client Risk Allowance	£1,600,000	£1,600,000
<b>Total</b>	<b>£6,468,810</b>	<b>£6,739,741</b>

\*base cost of materials and labour

\*\*Inflation is allowed for at 8.8% from now until mid-point construction.

25. The Council report of December 2022 advised that the chosen option (Option 2) would require an annual subsidy to the Trust of £750,000 per annum. This supports the annual running costs of the facility. This forecast has been updated based on better trading conditions. Current gym members continues to grow (15% up on pre-covid peak), swimming (33% up) and theatre performance is outstripping predictions.

26. The current centre this year is forecast to make an operating loss of around £900,000 per annum. It is now forecast the proposed new centre without a library (Option 2a) would reduce that to £800,000 per annum, whilst the centre with a library included (Option 2b) would see that fall to £710,000 per annum. The cost saving exercise (para 19) will have an impact on these forecasts and will require to be updated once the preferred option is determined and the costs saving measures are finalised.

27. Table 1 sets out operating costs and income for the current leisure centre and the 2 options under consideration. The forecasts show that both new larger facility options will result in reductions in the trading deficit. These figures exclude any displacement effect from changes to the wider library or sporting facilities service provision.

28. Option 2B reflects allowances for increased footfall (c. 150,000 p.a.), increased dwell-time and length of visits due to the presence of the library, and consequential sales.

Table 1 Operating Costs and Income for Eastwood Leisure Centre options

<b>Income</b>	<b>Current Centre*</b>	<b>Option 2A</b>	<b>Option 2B</b>
Gyms and Fitness	£344k	£814k	£904k
Swimming	£392k	£516k	£526k
Arts and Theatre	£522k	£646k	£736k
Dryside	£8k	£60k	£60k
Trading	£4k	£25k	£30k
Coaching	£0k	£82k	£111k
Property/Office Rental	£26k	£60k	£90k
<b>Total</b>	<b>£1.3m</b>	<b>£2.2m</b>	<b>£2.46m</b>

<b>Expenditure</b>	<b>Current Centre*</b>	<b>Option 2A</b>	<b>Option 2B</b>
Staff Costs	£1,717k	£2,440k	£2,560k
Supplies and Services	£381k	£458k	£468k
Property Costs	£114k	£138k	£138k
<b>Total</b>	<b>£2.2m</b>	<b>£3m</b>	<b>£3.17m</b>

\*23/24 forecasts

## CONSULTATION AND PARTNERSHIP WORKING

29. This report has been prepared in consultation with colleagues from the Trust, Procurement, Major Capital Projects Team and Accountancy. In consultation with Procurement, it has been agreed that the Council will utilise Hub West Scotland (HWS) to support the core project team in managing the delivery of this project. This will ensure that sufficient resources are applied to the project to ensure delivery on time and within budget.

## IMPLICATIONS OF THE PROPOSALS

30. This report has no implications in terms of Equalities and or Subsidy Control legislation. Legal and Information Technology requirements associated with the proposals will be fully assessed and provided for within the projects proposals.

31. Any proposed redesign of services would have to take note of the Change Process prescribed in the legal agreements (the Services Agreement) between the Council and the Trust in 2015, which outlines the measures each party must put in place when recommending a significant change in service provision.

32. A Climate Change Impact Assessment Stage 2 has been undertaken. The proposal will have a moderate positive impact on *Council Operations* achieving Get to Zero and will have small negative impact on *community emissions*. This is because:

- A full-electric heat and power system is proposed, removing the need for a gas boiler. This is supported by solar panels providing some power, reducing the demand for grid electricity.
- Operational energy intensity will be reduced from an estimated 965 kWh/m<sup>2</sup>/year to 360 kWh/m<sup>2</sup>/year. This provides carbon savings per annum of 303 tCO<sub>2</sub>e (based on 2023 emission factors).
- Expecting an increase in vehicle movements with new centre attracting new members and increased capacity for swimming lessons etc. This could be mitigated with a sustainable travel plan incorporated into the future operation of the site.

## CONCLUSIONS

33. Substantial work has been undertaken in the last 12 months to achieve a workable design within a climate of rising prices without compromising on the goal of a high quality and visually attractive facility within Eastwood Park. Two options have been developed that achieve this. A decision is required as to which option is desired.

34. Furthermore a decision is required as to whether to undertake some of the preparatory works now instead of January 2025 in order to remove some potential risks from the project.

## RECOMMENDATIONS

35. The Council is recommended to:

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  - i. to progress option 2A, at an estimated cost of £56,981,962, that excludes a library from the proposed design, or
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Director of Environment

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