



APPENDIX 1 NOT FOR PUBLICATION
Exempt / Confidential under Rule 10.4 (3)

Report of the Director of City Development

Executive Board

Date: 22nd August 2007

Subject: Leeds New Leaf Leisure Centres – Affordability Position

Electoral Wards Affected:

Armley,
Morley South,
Adel and Wharfedale

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

EXECUTIVE SUMMARY

- 1 Members of Executive Board will recall from reports considered by them on 24th January and 16th November 2005 that Members gave their approval to the establishment of a Local Education Partnership (LEP) and to the inclusion of the development of New Leaf PFI Leisure Centres through the LEP. The OJEU notice for the Building Schools for the Future (BSF) programme, therefore, anticipated the delivery of New Leaf PFI leisure centres under the LEP.
- 2 Members of Executive Board at their meeting on 24th January 2007 supported and confirmed the decision of the PPP/PFI Coordination Board, under powers delegated to it, the arrangements for the establishment and Council participation in the Leeds Local Education Partnership (LEP).
- 3 Members of Executive Board on 9th February 2007 supported the submission of the Outline Business Case for the New Leaf Leisure Centres Project to DCMS for approval, that the project would be delivered under the LEP and to the affordability position set out in the confidential appendix to the report which envisaged the Council securing £30 million PFI Credits for the construction of two new leisure centres at

Armley and Morley. Executive Board also approved the progression of discussions with DCMS regarding the potential future availability of additional PFI Credits for the replacement of the Holt Park Leisure Centre.

- 4 Members of Executive Board on 16 May 2007 approved the affordability position for the New Leaf Leisure Centres project set out in the confidential appendix to that report which took into consideration the changes to the Revenue Support Grant due to a change in interest rates, and therefore, the change in the affordability gap for the project.
- 5 The OBC for the New Leaf Leisure Centres Project was approved by PRG on 19th June 2007 and the project has entered into the initial procurement stages with the LEP. The Council has issued the City Council Requirement's under the New Project Procedure (NPP1) to the LEP, with the LEP programmed to submit their proposals on 5th November 2007.
6. Members of Executive Board are recommended to:
 - a) Note the contents of this report;
 - b) To note and agree the estimated affordability implications over the life of the proposed PFI Contract for the New Morley and Armley Leisure Centres, summarised in table 1 of the confidential appendix to this report;
 - c) To agree to the recommendations to the confidential appendix to this report and authorise officers to issue the City Council's affordability thresholds relating to the PFI project to the LEP and to Environments for Learning.
 - d) To agree the issuing of an outline proposal to DCMS regarding the potential to replace the existing leisure centre at Holt Park and pump prime the regeneration of the Holt Park district centre creating links with the community theatre and library at Ralph Thoresby PFI School, should additional PFI Credits become available.

1.0 **PURPOSE OF THIS REPORT**

- 1.1 The purpose of this report:
 - (a) to report and seek agreement to the estimated affordability implications over the life of the proposed PFI Contract for the New Morley and Armley Leisure Centres, summarised in table 1 of the confidential appendix to this report;
 - (b) to seek agreement to the recommendations to the confidential appendix to this report and authorise officers to issue the City Council's affordability thresholds relating to the PFI project to the LEP and to Environments for Learning.
 - (c) To agree the issuing of an outline proposal to DCMS regarding the potential to replace the existing leisure centre at Holt Park to pump prime the regeneration of the district centre and create linkages with the new community theatre and library at Ralph Thoresby PFI School, should additional PFI Credits become available.

2.0 CONFIDENTIALITY

- 2.1 The Appendix to this report is confidential under Access to Information Rule 10.4.3 because publication could prejudice the City Council's commercial interests as this Appendix includes matters where negotiations of a confidential nature will ensue with the LEP and Environments for Learning Consortium. In these circumstances it is considered that the public interest in not disclosing this commercial information outweighs the interests of disclosure.

3.0 BACKGROUND INFORMATION

- 3.1 The Council's Executive Board gave approval to the submission of an Expression of Interest (EOI) for the New Leaf Leisure Centres Project (NLLC) to the Department for Culture, Media and Sport (DCMS) on 18th May 2005 for £62.1 million of PFI credits. The purpose of the bid was to re-provide facilities for sport and active recreation and to create linkages with health and education. The bid was given approval by the DCMS during August 2005; however the credits were reduced from £62.1 million to £30 million for the project and the scope was reduced from 6 centres to up to 3 new leisure centres, and subsequently reduced in consultation with DCMS to two centres at Morley and Armley.

4.0 SUMMARY OF THE NEW LEAF LEISURE CENTRES PROJECT (NLLC)

- 4.1 The NLLC project aims to provide transformational leisure centres to replace existing deteriorating stock and to provide modern functional and flexible space for sport, recreation, community, health and extended learning activities across the city with the aim of increasing participation in active recreation, and providing accessible and affordable leisure centres for local communities.

5.0 PROGRESS TO DATE

- 5.1 Members of Executive Board will recall from reports considered by them on 24th January and 16th November 2005 that Members gave their approval to the establishment of a Local Education Partnership (LEP) and to the inclusion of the development of New Leaf PFI Leisure Centres through the LEP. The OJEU notice anticipated the delivery of New Leaf PFI leisure centres under the LEP as well.
- 5.2 Members of Executive Board at their meeting on 24th January 2007 supported and confirmed the decision of the PPP/PFI Coordination Board, under powers delegated to it, the arrangements for the establishment and Council participation in the Leeds Local Education Partnership (LEP).
- 5.3 Members of Executive Board on 9th February 2007 supported the submission of the Outline Business Case for the New Leaf Leisure Centres Project to DCMS for approval, that the project would be delivered under the LEP and to the affordability position set out in the confidential appendix to the report which envisaged the Council securing £30 million PFI Credits for the construction of two new leisure centres at Armley and Morley. Executive Board also approved the progression of discussions with DCMS regarding the potential future availability of additional PFI Credits for the replacement of the Holt Park Leisure Centre.

- 5.4 Members of Executive Board on 16 May 2007 approved the affordability position for the New Leaf Leisure Centres project set out in the confidential appendix to that report which took into consideration the changes to the Revenue Support Grant due to a change in interest rates, and therefore, the change in the affordability gap for the project.
- 5.5 The OBC for the New Leaf Leisure Centres Project was approved by PRG on 19th June 2007 and the project has entered into the initial procurement stages with the LEP through issuing the City Council Requirement's under the New Project Procedure (NPP1) to the LEP.
- 5.6 A proposal has been developed for the replacement of Holt Park leisure centre to be submitted to DCMS for consideration should additional PFI Credits become available. PwC is currently calculating the financial model to determine the PFI Credit requirement for this leisure centre which will form part of the proposal to DCMS.

6.0 SCOPE OF THE PROJECT

- 6.1 Executive Board on 9th February 2007 approved the submission of the Outline Business Case for the development of new leaf leisure centres at Morley and Armley. In consultation with key stakeholders the principal facilities within the new leisure centres have been identified as follows;

Proposed Morley Leisure Centre Facility Mix

- 25m, 6 lane pool with small pool for teaching swimming with spectator seating
- 6 badminton court – sized sports hall for football, gymnastics, badminton, basketball, etc
- 4 badminton court sports hall
- 120 station Bodyline fitness centre
- Meeting / classroom for up to 20 people
- Large multi purpose room / activity hall which can split into 2 areas for aerobics / keep fit / meetings / crèche / classroom / parties / functions etc.
- Large entrance atrium for meeting / socialising / links to the park area / café / bar

Proposed Armley Leisure Centre Facility Mix

- 25m, 5 lane pool
- Small pool for teaching swimming
- 4 badminton court – sized sports hall for football, gymnastics, badminton, basketball, etc
- 2 badminton court sports hall
- 100 station Bodyline fitness centre
- Large multi purpose room / activity hall, which can split into 2 areas for aerobics / keep fit / meetings / crèche / classroom / parties / functions etc.
- Large entrance atrium for meeting / socializing / café / bar
- Hydrotherapy Pool

- 6.2 The construction period for New Leaf will run from contract signature, programmed for August 2008 through to February 2010 for the Armley leisure centre and March 2010 for the Morley leisure centre.
- 6.3 The Service Period for the two leisure centres, procured through PFI is programmed to commence on February 2010 for Armley and March 2010 for Morley, and service completion February 2035.
- 6.4 The Services included within the PFI contract are:
- Facilities Management
 - Asset Management Planning
 - Buildings maintenance
 - Installations maintenance (e.g. cabling, alarms, ICT infrastructure)
 - Utilities and Environmental Conditions
 - Lifecycle Maintenance
 - Reinstatement and Change
 - Cleaning and Waste
 - Fixtures
 - Grounds maintenance
 - Health and Safety and Security
 - Porterage
 - Reactive On-Site Services
 - Help Desk and Administration
 - Continuous Improvement
- 6.5 The Communication and Consultation Strategy works through established protocols within the City Council to ensure all stakeholders are not only kept informed but, when appropriate, are engaged in the procurement and construction stages of the process.
- 6.6 Stakeholders in this project are identified as:
- The users of the leisure centres
 - The shadow Sport Trust - "LeedsActive"
 - The City Council's Executive Board Members
 - The Education PFI / BSF Project Board
 - The New Leaf Project Team
 - Ward members (where leisure centres located)
 - Department for Culture Media and Sport
 - Other agencies and specialist bodies, including Sport England, the Commission for Architecture and the Built Environment (CABE) etc.
 - Employee representatives
 - PCT/ Social Services/ Education Leeds – extended services
 - Media
- 6.7 Communication and consultation throughout the project to date has included:
- Regular newsletters to leisure centres and stakeholders. Newsletters are made available to Ward Members and MP's,
 - Website developed, with regular updates provided
 - Members briefings

- Regular staff, community, users and stakeholders meetings at each leisure centre
- Regular reports to the Education PFI / BSF Project Board,
- Regular meetings with Sport England
- Regular meetings with City Development Directorate on planning, highways and site issues.

7.0 PROPOSED SPORT TRUST, COUNCIL AND PFI CONTRACTOR INTERFACE ISSUES

- 7.1 Executive Board approved the principle to transfer the Sport and Active Recreation Service for Leeds to an independent, charitable Trust on 16th October 2006.
- 7.2 The Sport Trust will operate all of the leisure centres in Leeds. At the New Leaf PFI leisure centres the Sport Trust will manage the sport, community and active recreation programmes within the leisure centres but the PFI Contractor will be responsible for the management of the building itself. The interface between the Council and the PFI Contractor will be established contractually through the Project Agreement whilst the interface between the Council and the Trust will be established through an agreement for lease. However there will be no contractual relationship between the PFI Contractor and the Sport Trust, although clearly there will be interface issues between the two.
- 7.3 The interface issues can be separated into operational day to day issues where the Council will be the arbiter in the event of a dispute between the Trust and the Contractor; and strategic / future planning interfaces for example planned maintenance, future events etc where both parties (i.e. the Trust and the PFI Contractor) need to agree in advance of their requirements a programme which will accommodate them.
- 7.4 As part of the NPP1 submission the Contractor is required to submit their proposals for managing the interface with the Trust, to the Council.
- 7.5 Key issues in terms of liability which will need to be resolved as part of the Council's negotiations with the Trust and the PFI Contractor will be responsibility for insurance, damage, health and safety. The Sport Trust will be responsible for monitoring the performance of the PFI contractor on a day to day basis on behalf of the Council.

8.0 PROJECT TIMETABLE

8.1 The Project Timetable is based upon Armley Leisure Centre being completed in February 2010 and Morley in March 2010.

Submission of Outline Business Case for New Leaf	28 th February 2007
Approval of the Outline Business Case	19 th June 2007
Completion of Stage 1 of the New Projects Procedure	5 th November 2007
Completion of Stage 2 of the New Projects Procedure	June 2008
Financial Close for New Leaf	August 2008
Construction of New Leaf Leisure Centres	August 2008 to March 2010
Handover of New Leaf Leisure Centres	March 2010
Contract completion of PFI Leisure Centres	February 2035

9.0 RESOURCES TO DELIVER NEW LEAF

9.1 The table below illustrates the budgeted cost in 2007/08 for the procurement of the New Leaf Leisure Centres project. In addition, City Development will also incur their own costs. It is likely that there will be an impact on the Council's Revenue Budget beyond 2007/08 through to 2010/11 when the works on the schools are scheduled to be completed. There are also likely to be financial implications beyond 2010/2011 to ensure that effective Contract Management is in place when the leisure centres become operational.

	Budget for 2007/08 £000
Public Private Partnership Unit charges (includes strategic and project management, legal, financial, technical, governance, programming and performance support)	396
External adviser fees (legal, financial, technical, pension, insurance etc.)	278
Total	674

8.2 These cost projections reflect the City Council's experience of delivering BSF Phase 1 and previous PFI projects, and takes into account the complexities inherent in PFI projects. However, due to procurement through the LEP, the anticipated procurement timescale is quicker than conventional procurement and consequently a less costly route to Financial Close.

9.0 Project Risks

9.1 A Risk Management Plan and a comprehensive Project Risk Register have been developed for the New Leaf Leisure Centres project to enable the continual, effective monitoring of the risks to success of the Project. A summary of the key risks is reported to each meeting of the Education PFI/BSF Project Board.

10.0 Financial Issues

10.1 Attached is a detailed report covering the financial issues relating to the New Leaf Leisure Centre Project. In summary the main issue relates to the affordability of the project.

11.0 Recommendations

11.1 Members of Executive Board are recommended to:

- a) Note the contents of this report;
- b) To note and agree the estimated affordability implications over the life of the proposed PFI Contract for the New Leaf Leisure Centres, summarised in the annexe to the confidential appendix to this report;
- c) To agree to the recommendations to the confidential appendix to this report and authorise officers to issue the City Council's affordability thresholds relating to the PFI project to the LEP and to Environments for Learning.
- d) To agree the issuing of an outline proposal to DCMS regarding the potential to replace the existing leisure centre at Holt Park and pump prime the regeneration of the district centre and linkages with the community theatre and library at Ralph Thoresby PFI School should additional PFI Credits become available.